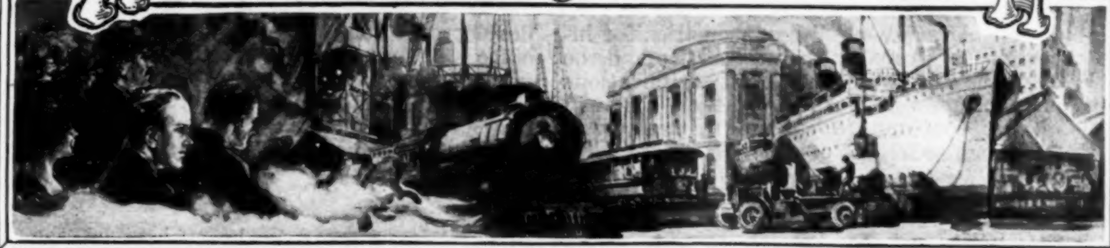
The MAGAZINE *of* WALL STREET



BANKING EDITOR
H. PARKER WILLIS

EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Political Prospects and Their Relation to Business—A Warning to Investors—Psychology and Business Men—The Market Prospect

AFTER a lengthy convention, which in some respects would have been ludicrous if it had not revealed the innate lack of leadership of one of our two great parties, Mr. John W. Davis was finally nominated to run for the Presidency. Weakened by the internecine strife which has nearly split the Democratic party in half, he must attempt battle with Mr. Coolidge, a politician of great ability and possessing a position of great strategic importance. The third candidate, Mr. La Follette, completes the list of important contenders for the highest position which it is possible for any people to give a citizen.

Business has been waiting for this moment and undoubtedly it has already selected its own favorite. The campaign promises to be unusually bitter and important. Making fullest allowance for its importance, it is well to bear in mind that in the last analysis, the business prospect will have to depend on the inner position of business itself and that while the effects of the election, no matter who is nominated, may have some bearing on the business outlook, it cannot by any means have the determinate voice.

The political campaign thus will be exciting, interesting and perhaps novel since for the first time in American history a truly radical man has been selected to head a third party. It will be well worth watching. Nevertheless, the ultimate determinate will not be the political results of 1924 but such prosaic factors as the price of wheat, the volume of building, the influence of weather conditions on retail trade, the price level of commodities, the output of oil, steel and other important products, etc., etc. It will be noted that there is little of a political nature in such important considerations.

BUSINESS PSYCHOLOGY

THERE is nothing like a rising market to impart a feeling of confidence to business people. Each year witnesses new additions to the ranks of those who depend on the action of the securities markets for at least a partial clue to the future of business in general and their own field of business in particular. By common acceptance, the broad movements of securities, particularly stocks listed on the New York Stock Exchange, are interpreted as a business barometer of first-rate importance. Consequently, the market advance of the past two months attains significance as not only denoting the attitude of important financial interests on the business outlook but as a most effective means of converting the temper of business men from pessimism to comparative optimism. The psychological aspect of this situation commands attention since it is obvious that if the majority agrees that business will be better, it will be better.

A WARNING

CONDITIONS are shaping themselves for the extensive flotation of foreign securities in American markets. The Administration is evidently considering greater participation in steps to revive the economic situation in Europe. Such a position tacitly, at least, recommends the purchase of foreign securities by American investors. Support of such a nature is not likely to be avoided by parties interested in floating foreign loans which may be of a more or less dubious nature. Under the circumstances, the attitude of American investors should be one of caution in the matter

of consideration of foreign securities for investment. Probably the best advice and the one which will lead to the least complications is that investors, principally those of small means, continue to confine themselves to American securities of worth.

CHEER AMONG FARMERS

RISING grain prices have undoubtedly served to strengthen the feeling of confidence which has recently been growing in the great agricultural districts of the Middle and Northwest. Probably, the economic distress in these sections of the country was overemphasized at best. In any case, the change has been toward improvement. It is significant that at the meeting several weeks ago of the Farm Loan bankers at Washington, it was stated that only 15,000 out of 300,000 farmers are delinquent in their mortgage payments. Of course, no one imagines that the advance in wheat and corn will at once give prosperity to the entire farming community. There is still sufficient distress and undoubtedly it will be made evident in a political way at the polls next November but its effect is steadily diminishing and that is sufficient news for the time being.

A CHANGE FOR THE BETTER

HERETOFORE, except in isolated instances, in the financing of foreign countries we have been content to supply the funds without demanding that these funds be applied to purchases in this country. This is contrary to the canny British policy which will not permit foreign loans without stipulation that the funds desired from such loans be used in buying British manufactures and commodities. Through just such a policy Great Britain became not only the great money lender of the world, but built up a tremendous outlet for her goods.

We are now practically the world's money center and are in a position to emulate Great Britain's example. A period of intense rivalry in international trade is ahead, and there is no good reason why we should not employ the advantage of our enormous lending power in furtherance of our own export and domestic trade.

It takes no unusual imagination to conjure up the benefits that would accrue to us if we would consent to finance foreign countries on the basis of supplying them with our own manufactures and commodities for the funds obtained through such loans. In this connection, the recent Japanese financing was a development of considerable significance, since the funds secured here will be employed in Japanese purchases of American goods. It is to be trusted that our future policy of international financing will consider the relation of American industry to such loans.

BUILDING AND RENTS

TO the keen observer, the unobstrusive but real decline in speculative building activity is a sign that the building boom is over. Many cities and towns in the Middle West report a wholesale reduction of rents, owing to overbuilding and lack of employment. Banks are frowning on loans to building speculators. Intelligent operators and owners are striving to liquidate quietly. Even in the larger metropolitan centers, there has been some lowering of rents, not much but enough to indicate the trend. Rents may never again approach the levels customary in the pre-war period but they are surely headed downward. This is not a good time, speaking generally, to buy real estate for a turn. Lower rents, however, will increase the average purchasing power and ultimately lead to better business. In this as in other cases, we have a "buyers' market."

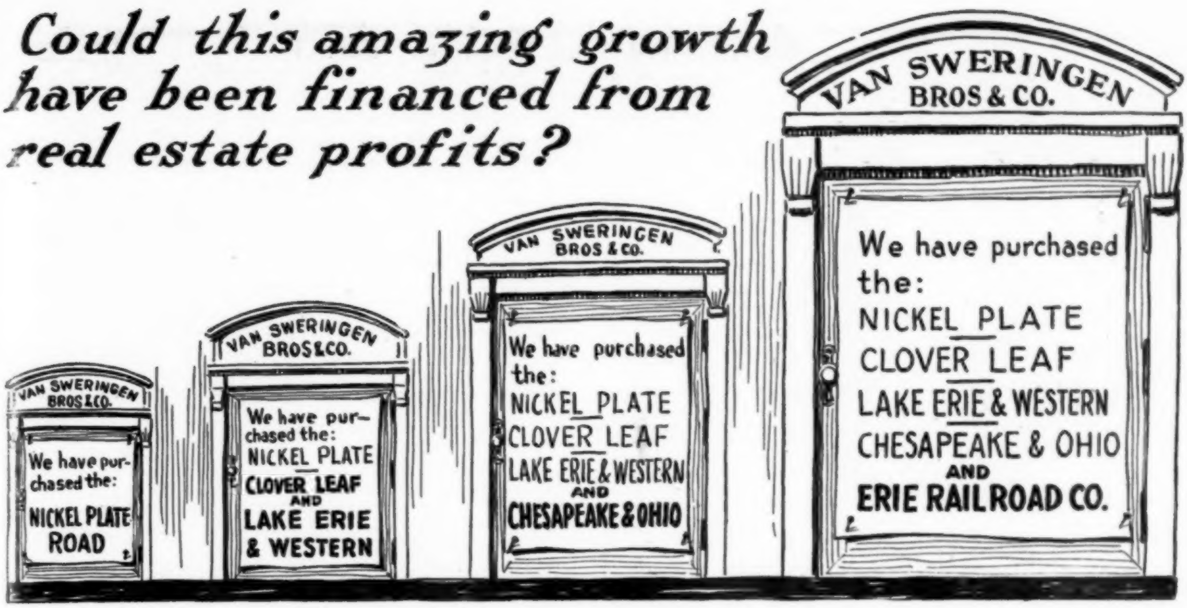
THE MARKET PROSPECT

THE stock market continues to exhibit a strong upward trend. The leading industries, such as bituminous coal, steel and others show a tendency to confirm the coming business improvement which the stock market forecasted some weeks ago. With corn at $1.08 and wheat averaging $1.36 the hopes of the agricultural community have revived; retail and mail order trade throughout the West is improving.

While we do not anticipate anything like a boom in business for the next few months, there should be a sufficient increase to realize substantial earnings on the majority of railroad and industrial shares. The banking situation is such that a material amount of increased business can be financed without any strain on the money market. The outlook, therefore, is for a period of steady investment demand which should result in higher prices for most investment stocks.

While there has been some excessive speculation in a few of the public utility shares, most of these issues have not yet reached the level which seems to be justified by their stability of earnings combined with their strong financial position.

Monday, July 14, 1924.



Who's Behind the Van Sweringens?

The Trail from "Shaker Heights" to the Heart of the Financial District—Why First National Bank Stock Jumped $400 a Share—A New Rail Empire

By BARNARD POWERS

THE Van Sweringens are at it again! When they plucked the Nickel Plate from the New York Central's rubbish pile Wall Street said, "There go the profits they made in Cleveland real estate." When they added the orphaned Clover Leaf and the little Lake Erie & Western the Street commended their nerve but condemned their judgment. Announcement somewhat more than a year ago that the ambitious brothers had added the 2,500 odd miles of the prosperous Chesapeake & Ohio to their railroad collection caused the financial district to sit up suddenly and ask, "Who are the Van Sweringens?"

Wall Street got its real thrill a few days ago, however, when the news seeped out that the Van Sweringens had obtained control of the ancient and more or less honorable Erie. The tremor which this announcement created is comparable to the vibrations which periodically rocked the Street in the great days of Hill and Harriman. "Shades of Daniel Drew," ejaculated Wall Street, "can it be that after all these years the great days of railroading are returning?" It can, and they are.

Railroad history is now entering upon a period of combination and consolidation which will bring about revolutionary changes in the entire railroad map of the country. Just what the ultimate result will be it is beyond the power of any living human to say. The forces moving are so vast and the problems to be solved so broad, complicated and interwoven with so many side issues and different conditions that the situation is similar to a gigantic block puzzle to which there may be a dozen or even a hundred solutions. Generally speaking, however, it is obvious that the railroads of this country will eventually resolve themselves into fifteen or twenty great systems. The problem or the puzzle is for the investor and trader to figure out which lines will go into which system. Therein lies the possibility for much profit.

> *"When they plucked the Nickel Plate from the N. Y. Central's rubbish pile, Wall Street said, 'There go the profits they made in Cleveland real estate!'*
>
> *"When they added the orphaned Clover Leaf and the little Lake Erie & Western, the Street commended their nerve but condemned their judgment.*
>
> *"Announcement, later, that the ambitious brothers had added the 2500-odd miles of the prosperous Chesapeake & Ohio to their railroad collection caused the financial district to sit up suddenly and demand:*
>
> *"WHO ARE THE VAN SWERINGENS???"*

Shadows of Coming Events

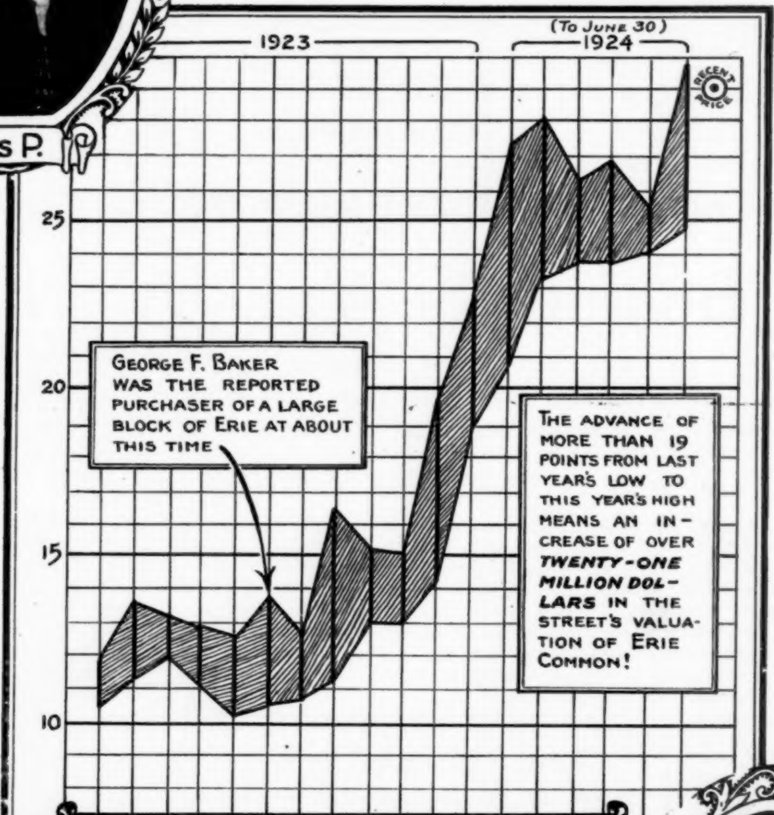
The topic of railroad consolidation is, of course, nothing new. In August of 1921 the famous Ripley report was issued by the Interstate Commerce Commission. This report, which in the main endorsed the recommendations of Professor William Z. Ripley of Harvard University, suggested the resolution of the railroads of the country into nineteen great systems. The underlying idea back of the plan was to preserve railroad competition as nearly as possible and to render the cost of transportation as between competitive systems and as related to the values of the properties through which the service is

rendered, the same as far as practical. The Interstate Commerce Commission, however, has no power to put such consolidations into effect. It can only suggest and recommend. Until the powers of the Commission are amplified or until legislation looking to compulsory consolidation is passed, the matter remains in the hands of the roads themselves.

Admitting that consolidations are logical and inevitable, and there seems no divergence of opinion on that point, the great questions are "How?" and "When?" The activities of the Van Sweringens during the last several years show that the consolidation ball is rolling. Other indications are that the near future will see important accomplishments along that line.

Readers of this publication have been apprised of the approaching great developments in the railroad field. In our issue of February 2, 1924, the leading article bore the title, "Has the Zero Hour Struck for the Rail Advance?" In that discussion the writer asked, "Are the railroads 'over the top'? Has the long awaited 'zero hour,' when the great advance in the rails is supposed to start, at last arrived? Are the carriers of the country at length on the road to recovering their former glory of market leadership and the earning capacity which once was theirs?"

The article pointed out that the end of the last great railroad era came at about the time of the death of E. H. Harriman in September of 1909. Popular outcry against the railroads and railroad leaders, resulted in restrictive state and national legislation. The railroads were well nigh legislated and "commissioned" out of existence. The result was a long decline in the price of railroad securities with attendant great loss to private and public capital. With the exception of the reorganization period in the early seventies, when many of the great railroads of the country went through receivership, the twelve-year period 1909-1921 was the darkest period in American railroad history.



The Sensational Rise In Erie

WHICH BEGAN EARLY LAST YEAR AND REACHED IT'S PEAK WHEN NEWS OF THE VAN SWERINGEN PURCHASE LEAKED OUT

The mills of public opinion grind slowly, at times, but they do grind. The disastrous experiment of Government operation during the war was worth all it cost, though the price was big enough, goodness knows. It showed to all but the most incorrigible radicals, that Government control can never hope to compete with properly regulated private control. There are still those who favor Government operation and even government ownership, but they are those who do not count the cost because they do not pay the bills. The investors and taxpayers of this country, and fortunately they are in overwhelming majority, are thoroughly disillusioned in the matter of Government operation of the railroads.

The article which appeared in these pages last February picked the low point which the rails reached in 1921 as the zero hour for the rail advance. The writer's conclusions were summed in the following words:

"Unless all signs are misleading we are on the eve of development of highest import in the railroad industry. With fullest comprehension of the danger always inherent in long-range predictions, the writer is of the opinion that we are about to enter into an era of railroad consolidations which will change the entire railroad map of the country." Speaking of the market position of railroad stocks the writer said:

A New Era for Rails?

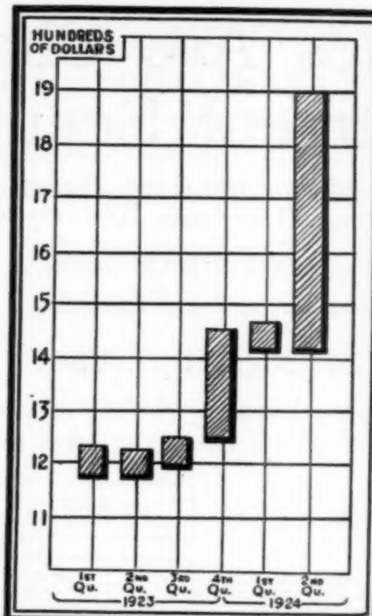
"In other words, the 'big people' having got out of their railroad holdings fifty or a hundred points higher, are now buying them back against the new era for rails which they foresee. And by 'big people' we do not mean the average market speculator or even the big, trading 'operator,' although they, of course, figure in the picture to some extent. We mean the big, banking interests and big capitalists who buy for very large profits and stick to their holdings for a year, two years or even longer, until they are

convinced that the selling time has arrived; in short, the long-pull investors of large financial resources."

So much for the "When" of railroad consolidations. Those of our readers who took that article to heart and bought railroad securities which we recommended then and later, have now no cause to regret their action. The "How" of the consolidation matter was further elucidated by the recent announcement that the Van Sweringen interests had acquired control of Erie.

The Van Sweringen interests! Who are they and what is the extent of their resources? These were the first two questions asked by Wall Street when it recovered its breath from astonishment over the Erie announcement.

It was conceivable that Orvis P. and Mantis J. Van Sweringen might have made enough money out of Shaker Heights and other Cleveland real estate deals to pay $2,000,000 cash to the New York Central and the balance of the purchase price of $8,500,000 for the Nickel Plate in notes, and it was conceivable that they even had enough money left or could raise enough through their immediate connections, to take over the Clover Leaf. But when they bought the Lake Erie & Western, the Chesapeake & Ohio and finally the great Erie system, with the Pere Marquette, Virginian Railway and Pittsburgh & West Virginia in the offing, Wall Street said it couldn't be done. At



FIRST NATIONAL BANK STOCK HAS ALSO HAD A SENSATIONAL RISE—REACHING RECENTLY THE RECORD HIGH OF $1900 A SHARE!

least not from the profits of Cleveland real estate. It was obvious that the Cleveland real estaters must have backers and backers with great financial resources.

With this thought in mind we undertook to discover those who are behind the Van Sweringen brothers. Our investigation led to the mightiest citadels of financialdom.

Approximately a year ago it was allowed to leak out that George F. Baker, octogenarian chairman of the board of the First National Bank, was the purchaser of a large block of Erie common, the total being reported at from 50,000 to 100,000 shares. The stock was then selling at 13 or 14 a share. Uninformed Wall Street derided the report of Baker's purchase for, said uninformed Wall Street, when Baker buys no one knew anything about it until months afterwards. It was a case of the truth serving better than fiction. At that time the stock of Erie jumped several points and has climbed steadily since. The First National is known as a "Morgan bank." It is one of the oldest as well as one of the richest and most powerful banks in the country. It has a capital of $10,000,000 and a surplus of $50,000,000. Its resources total close to $400,000,000. George F. Baker is third richest man in America. His fortune is estimated at upwards of $200,000,000. He *is* the First National Bank. Even at the advanced age of 84 he closely supervises the First National's activities. He is a director in many of the largest railroads in the country. His reputation for taciturnity is second to none.

At the time he bought the large block of Erie common every reason was assigned to that purchase except the right one. The real explanation is now becoming apparent. Shortly after the unofficial announcement of the purchase of control of Erie by the Van Sweringens we were reliably though unofficially informed that the First Security Corporation will handle the financing of the group of roads which the Van Sweringens have accumulated. The mystery of who is behind the Cleveland brothers was a mystery no longer. ***The Van Sweringens are acting for or with George F. Baker, J. P. Morgan and their associates which form the most powerful group of financiers in Wall Street and hence in the country.***

In the first place neither the Van Sweringens nor any one else could obtain a controlling interest in the stock of the Erie Railroad without the tacit consent of J. P. Morgan and George F. Baker. It is true that years ago John W. Gates bought control of the Louisville & Nashville in the open market right under the nose of the late J. P. Morgan who, it was said, was obliged to hand over a profit of several million dollars to the plunger in order to get back the L. & N. But those were

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J. P. MORGAN

G. F. BAKER

ARE THESE TWO THE *REAL* "VAN SWERINGEN BROTHERS?"

How Values Are Changing in Investment Securities

Securities Affected by Low Money Rates—Which Group Offers the Best Opportunity?

By JACKSON MARTINDELL

THE most casual observer of the financial markets must have noticed that different classes of securities fluctuate in different price-cycles. Thus, while higher prices may be in the making for a certain group of securities, other groups may show weakness. Preferred stock prices may be up, but the trend of common stock prices may be downward. The most speculative securities may advance to very high levels, but high-grade bonds may be registering losses for their owners.

There are times when the holder of a speculative security assumes less risk of market loss than he who boasts that all his investments are gilt-edged.

If this is doubted, the reader may refer back to security movements of the past. As recently as 1922, there was a period of several months in which stock prices were advancing, while prices for bonds were declining. During 1919, there was a protracted period of higher stock prices, while bonds declined steadily. The unsophisticated holder of United States Steel Corporation 5s probably wondered why the market value of his security was dropping from above par to around 94, while the common stock of the self-same organization was advancing during the greater part of the year. Then, on the other hand, the holder of Steel Common may have wondered why his security broke below par to 94 during the first few months of the current year, while the 5 per cent bonds of the corporation were enjoying a rising market.

THINK THIS OVER!

In 1916, two typical security-groups offered the following average comparative returns on the investment:

High-Grade Bonds	4.55%
High-Grade Common Stocks	5.50%

Despite the similar credit conditions existing to-day, the same two groups offer the following comparative returns:

High-Grade Bonds	4.65%
High-Grade Common Stocks	7.03%

The greatly increased return now offered by the second group gives rise to the question whether high-grade bonds or better-grade common stocks should be purchased, for investment, to-day. This question is answered in the accompanying article.

Price Cycles

All of which brings us back to the fact that different classes of securities fluctuate in different price cycles, and a prospective security-buyer needs to know not only what the prospects may be for any particular industry or corporation, but also just which type of security is in line to benefit from a favorable group movement. The conservative investor, on arriving at the conclusion that a company is doing a very satisfactory and an increasing volume of business, would more than likely be tempted to buy its first mortgage bonds in the belief that they were attractive. Yet the very conditions under which this and other companies may be doing an increasing volume of business on an increasing profit margin, might very easily cause a decline in the market prices of the bonds.

This is best explained by the factors leading to analysis of increased industrial activity. As a result of a growing demand for their products, various companies increase their plant operations, which calls for larger inventories and larger working capital. An appeal is made to the commercial banks for funds. These institutions hold large blocks of high-grade bonds, which must be sold in order to provide the liquid capital necessary for its commercial clients. The result is that bond prices decline under the pressure of forced sales. At the same time, the greater speculative possibilities of common stock issues cause their price movement to be upward.

While speculative securities follow the trend of earnings and speculative activity, those that have a fair degree of investment merit, whether they be bonds, preferred stocks, or even common stocks, sooner or later have their prices adjusted to conform with prevailing money rates. When the demand for commercial funds is large and money rates are at comparatively high levels, the yields secured from investment securities will be proportionately higher. At a time such as the present, when there is pronounced ease in the money market, a smaller return must be expected from securities.

Since a large volume of funds is no longer needed to finance industry which is now more or less in a state of depression, banks have been forced to bid for investment securities so as to keep their money out at interest. With call loans around 2 per cent and time money quoted at 3¼ per cent for six month maturities, the one hope of financial institutions have been high-grade bonds, and their buying has brought about higher prices in the past few months.

Other investment groups have moved up also, but not in the same proportion as high-grade bond issues. The explanation of this lies in the fact that an upward

> ### *ANOTHER THOUGHT!*
> ***"There are times when the holder of a speculative security assumes less risk of a market loss than he who boasts that all his investments are gilt-edged."***

movement nearly always appears first in the high-grade issues, and then when their yields are no longer attractive, interest shifts to middle-grade bonds and preferred stocks. Then when these have had their rise and their yields are at comparatively low levels, the various common stocks having investment merit are taken in hand.

At the present time, the situation in the market seems to be that high-grade bonds and preferred stocks have pretty much had their turn, but middle-grade bonds and preferred stocks are still quoted at levels that allow a fair return on the investment. Common stocks have not yet thoroughly discounted the present ease of money rates. They apparently hold promise of better things in the near future and appear to offer the best opportunities of any investment group.

Comparison with Past Yields

Irrespective of what the comparative position of different investment security groups may be, it is interesting to compare their present yields with those prevailing in past years when money conditions were about the same as at present. The year 1916 offers the best comparison. Time money rates were then around three per cent and commercial paper was quoted between 3 and 4 per cent, both figures being practically the same as now. But, while money conditions were similar, the prices of investment securities were not. For instance, the average price of forty bonds was then very close to 90, compared with a recent figure of 80. The better grade of preferred and common stocks were also priced higher to yield less.

If investment security prices follow money rates, what is it that accounts for this apparent difference in prices and yields? The explanation has been advanced by many that security yields have not yet been adjusted to the pronounced ease in the money market. To some extent this is true. But such an explanation must be amplified.

For instance, the forty bonds of which the average prices are given include many middle-grade issues which make a comparison confusing due to changes in their investment value, during the intervening years. Then again, other conditions enter such as the great amount of investment issues now being offered in the market which tend to supply the demand without allowing undue levels to be reached by seasoned securities. Altogether, it may be said that the conditions that prevailed in 1922 were not entirely similar to those of to-day, but were near enough so to warrant the belief that the yields from investment securities should be somewhat the same.

The accompanying table gives the reader a good idea of just how the yields of each different group compare with those prevailing eight years ago. Each issue listed in the table has been chosen as a represen-

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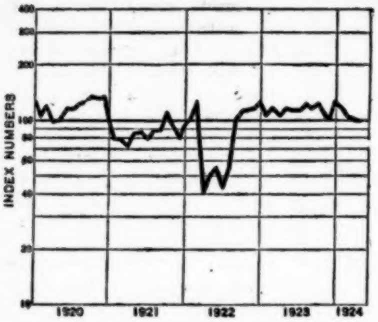
HOW PRESENT YIELDS COMPARE WITH THOSE PREVAILING IN 1916, WHEN CREDIT CONDITIONS WERE SIMILAR

Company	Security	1916 Price Range and Yield High	Low	Average Yield	Recent Price	Yield at Rec't Price
High-Grade Bonds						
Atchison, Topeka & Santa Fe Ry. Co.	Gen. Mtge. 4s of 1995	95	92	4.30%	90	4.50%
New York Telephone Co.	1st & Gen. Mtge. 4½s of 1939	99	97	4.65	97	4.75
United States Steel Corp.	S. F. 5s of 1963	107	103	4.70	104	4.75
				Av. 4.55%		Av. 4.65%
Middle-Grade Bonds						
Delaware & Hudson Company	Conv. 5s of 1935	108	104	4.55%	97	5.35
Laclede Gas Light Co.	Ref. & Ext. 5s of 1934	102	100	4.90	97	5.35
Armour & Company	Real Estate 4½s of 1939	95	93	4.95	86	5.90
				Av. 4.80%		Av. 5.53%
High-Grade Preferreds						
Norfolk & Western Ry.	4% non-cum. pf.	89	84	4.60%	79	5.00%
American Light & Traction Co.	6% cum. pf.	115	109	5.30	97	6.15
Sears, Roebuck & Co.	7% cum. pf.	127	125	5.50	114	6.10
				Av. 5.10%		Av. 5.73%
Middle-Grade Preferreds						
Baltimore & Ohio Railroad Co.	4% non-cum. pf.	80	72	5.25%	60	6.60%
Pacific Gas & Electric Co.	6% cum. 1st pf.	94	88	6.55	90	6.55
U. S. Industrial Alcohol Co.	7% cum. pf.	114	99	6.60	102	6.85
				Av. 6.10%		Av. 6.65%
Better-Grade Common Stocks						
New York Central R. R. Co.	Capital Stock	114	100	4.70%	104	6.70%
Union Pacific R. R. Co.	Common Stock	153	129	5.65	136	7.45
American Tel. & Tel. Co.	Capital Stock	134	123	6.20	121	7.40
Brooklyn Edison Co.	Capital Stock	131	121	6.35	112	7.10
Westinghouse Elec. Mfg. Co.	Common Stock	69	51	4.80	61	6.50
				Av. 5.50%		Av. 7.03%

Note: In 1916, the various companies whose common stocks are listed in the above table, paid dividends as follows—New York Central, $5; Union Pacific, $8; American Tel. & Tel., $8; Brooklyn Edison, $8; Westinghouse, $3.

"The River of Business Normal Volume

Present Dulness Mostly Business Needs More



The Output of Soft Coal

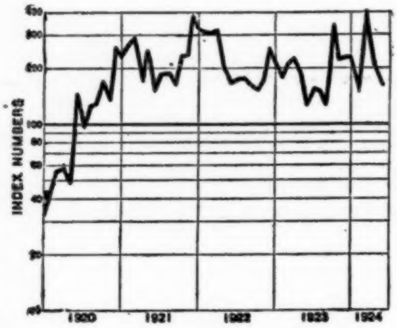
THERE is nothing fundamentally destructive of prosperity in the present situation. The fact that it is shot through with conflicting tendencies shows that it is not the result of elemental causes. It has the earmarks of a halting and over-cautious business spirit. No doubt, it is largely due to excessive caution. We learned our lesson too well in 1920-21, so well that we keep the brakes on when a little coasting would be stimulating and generally beneficial.

Another obscure factor is the statistical psychology of business in these latter years. Millions of business men who formerly did not know what the term meant are now confirmed followers of barometric statistics. Not only that but their interpretation of statistics is massed through the widespread influence of the various economic services. We are what we think we are, within certain limitations, and when millions of producers begin to believe that curtailment is indicated it is apt to be anticipated, perhaps, when it was not really in sight at all.

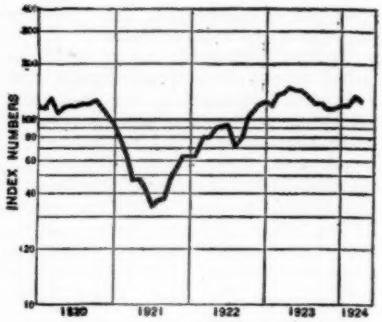
We have perhaps applied too much reason and not enough emotion to business in recent times. We have had what the psychologists would call a suppression complex—and we have suppressed regardless.

We will soon recover from this timorous and artificial state, I believe; and with no great overproduction of goods to dam the current of demand, the river of business will be flowing in normal volume before long. It may be a matter of only a few months or it may take longer, but comparatively it is at the worst a very mild case of business anemia and nothing to worry a country that has had real hard times as recently as 1921.

Some of the statistical instruments give readings that suggest that the unpleasant weather is already letting up or is over, while others make for a forecast of disturbances. Let us examine some of the significant statistics as published in the Survey of Current Business, Department of Commerce.



Value of Defaulted Liabilities



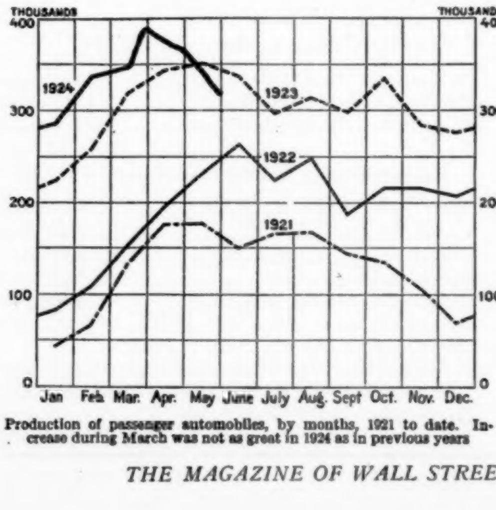
American Output of Pig Iron

General bond prices, based on ten high-grade rail, ten second-grade rail, ten public utility, and ten industrial bonds, have risen since the first of the year, with an upward tendency, somewhat emphasized, since the first of April. This fact suggests that whatever be the degree of economic dullness at the moment, investors have not had their confidence in the future shaken in the slightest degree. Railroad stocks have been acting similarly to bonds, having been on a level in January and February with an upward trend in March, April, May and June.

The great increase in freight-car loadings in 1923, following a similar increase in 1922, and the extensive addition of new equipment by the railways have apparently instilled confidence in the minds of investors. The average weekly car loadings in 1923 were higher than ever before and this year they are practically the same so far. The average monthly production of new freight cars practically trebled in 1923. In December it was over 12,000. In January of this year, however, it fell to 5,000, declining a little further in March and recovering the January figure in April, with an upward tendency at present.

When we turn to **industrial stocks** we find some symptoms of lethargy, though recently improving. Their prices decreased six per cent from March to April and lost almost one per cent more during May—and April, 1924, was 12 per cent below April, 1923. On the other hand, industrial stock prices were only 3 per cent lower in May, 1924, than they were in May, 1923, and their present tendency is upward, probably discounting general business improvement later this year.

The slackening of industrial activity is indicated by the fact that New York call **money rates** have been steadily falling, the average rate for May being the lowest since September, 1922. At the same time, these low rates reveal a healthy financial condition and indicate an abundance of money for renewed commercial activity.

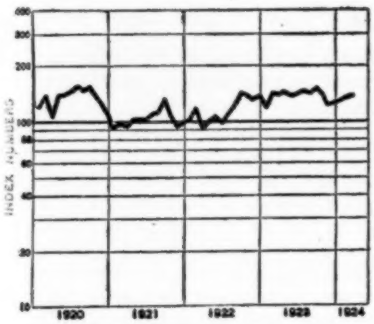


Production of passenger automobiles, by months, 1921 to date. Increase during March was not as great in 1924 as in previous years

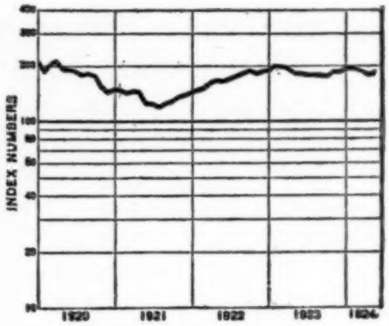
This business analysis was especially prepared for The Magazine of Wall Street by Henry H. Morse.

Will Be Flowing in Before Long!"

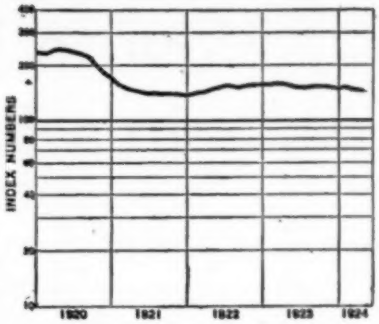
Due to "Suppression Complex"— Reason and Less Emotion



Net Freight Ton Miles



Price of 25 Industrial Stocks



Comparative Wholesale Prices

To whatever extent **declining commodity prices** are indicative of "hard times" this particular barometer is not encouraging. Wholesale commodity prices as a whole dropped 9 per cent in the year ending with May and the tendency downward appears to be continuing slowly. Food prices have remained stationary, though there have been opposing variations of particular commodities. These lower prices on commodities other than food have not stimulated business, the volume of wholesale trade, according to Federal Reserve Board figures, being slightly less than a year ago; but abnormal weather is probably to be blamed for this shrinkage.

The weather doubtless has much to do with the erratic course of **retail trade.** Retail dealers have been extremely cautious in placing orders, and manufacturers report a growing percentage of parcels post and express shipments as compared with freight deliveries, indicating a hand-to-mouth buying. The percentage of outstanding orders to the total of purchases last year has gone down noticeably. And yet, by way of confusing contradiction, the volume of retail trade for April, the last month for which figures are now available, was greater than in that month of 1923. The total sales of department and mail-order stores was 2 per cent greater in March and April than it was a year ago. Other retail houses, with the exception of chain music stores, are doing a better business than a year ago, on the basis of April returns. The department stores gained 11 per cent, but this gain is probably largely of a compensatory nature, on account of delayed spring buying.

A slackening in the volume of general business being transacted is indicated by the contraction in bank account debits, they being (outside New York City) 10 per cent lower in May, 1924, than in May, 1923.

With a general reflection of slackened commercial operations there has come an indubitable decline in **manufacturing production.** The Commerce Department's index reveals a drop of 4 per cent from March to April, 1924, and furthermore April was 8 per cent below the same month of last year.

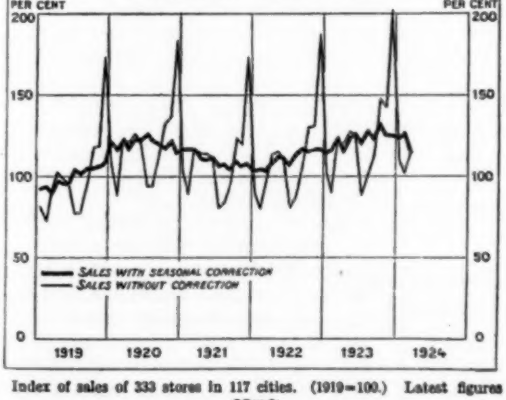
In the raw materials there are decreases in crop marketings and mineral production, but increases in animal and forest products. In the case of the latter, however, the statistical reports of the National Lumber Manufacturers Association, indicate that increased production of lumber over last year has been accompanied by approximately 10 per cent declines in orders and shipments. The drop in minerals was largely due to pronounced slump in soft coal production. April and May showed a pronounced reduction in the output of pig iron, and more in steel ingots.

In spite of the contraction in lumber and structural steel sales and iron and steel production the value of **building contracts** awarded in April was 11 per cent larger than in March and 20 per cent more than in April, 1923. Bearing on the same paradoxical situation is the fact that cement sales do not appear to be as large as last year while production is, the result being a stock on hand of over 17,000,000 barrels in April, 1924, though 1,000,000 barrels less than last month. Of course, continued heavy production of a commodity in the face of slackening demand is not conducive to early return to normal conditions.

Perhaps the most disquieting item in the whole list of business symptoms is the **record of liabilities** in March failures, amounting to more than 97½ millions of dollars—a new record. Sixty per cent of the liabilities were contributed by the failures of four large manufacturing corporations—which may or may not be an extenuating circumstance. But certainly the fact that April and May liabilities were not as large as in those months of 1923 is encouraging.

There is little **labor controversy** and not a great deal of increase in unemploy-

(*Please turn to page* 496)



Index of sales of 333 stores in 117 cities. (1919=100.) Latest figures March

Mr. Morse is Chief of the Division of Domestic Commerce of the U. S. Department of Commerce.

How to Increase Your Income in a Low Money Market

Investors' Opportunities and What to Do With Them

TWO EXAMPLES OF INCREASING YIELD FROM INVESTMENTS IN A LOW MONEY MARKET

(Securities Purchased on Margin)

Table "A"

Purchase 100 shares U. S. Realty 7% Preferred at $102 per share

Cost		$10,200.00
Margin deposited with broker		2,000.00
Debit balance		$8,200.00
Interest on debit balance at 4¼%*	$348.50	
Total interest charges	$348.50	
Commissions	30.00	
Transfer Tax	4.00	
Total charges	$382.50	
Dividends received		$700.00
Deduct total charges		382.50
Net income		$317.50
Percentage of Yield on $2,000 Investment		15.8%

Table "B"

Purchase One $10,000 Bond Amer. Gas & Elec. 6s at 94½

Cost		$9,450.00
Margin deposited with broker		1,500.00
Debit balance		$7,950.00
Interest on debit balance at 4¼%*	$337.88	
Total interest charges	$337.88	
Commissions	30.00	
Total charges	$367.88	
Interest received		$600.00
Deduct total charges		357.88
Net income		$232.12
Percentage of Yield on $1,500 Invested (Maturity Disregarded)		15.4%

* On a 2% money market, average broker's interest charges should be about 4¼%. This includes carrying charges.

THIS story will not appeal to the man who wants to make a fortune overnight. It deals with the simple question of yield opportunities and how to make the most of them.

In the beginning, let it be said that the present offers an unusual though limited opportunity to progressive investors who want to put their money to work in the most profitable way. This is a period of extremely low money rates, in which it is convenient to borrow and hard to lend advantageously. Supply of loanable funds far exceeds the demand. Thus, the situation is ideal to the borrower in good standing.

Call money rates are quoted at 2% and time money is quoted at 3¼% even for the longer maturities. Let the investor borrow at these rates or as close to them as he can secure from his banker, broker or elsewhere and let him buy sound securities which yield a greater percentage than the amount of interest he has to pay. To put it even more simply: let him borrow at, say, about 4¼% which is easily obtainable to-day and let him buy with the funds, sound securities which yield in excess of 4¼%. *The difference between the two rates will represent an increase in income, without extra cost to the borrower.*

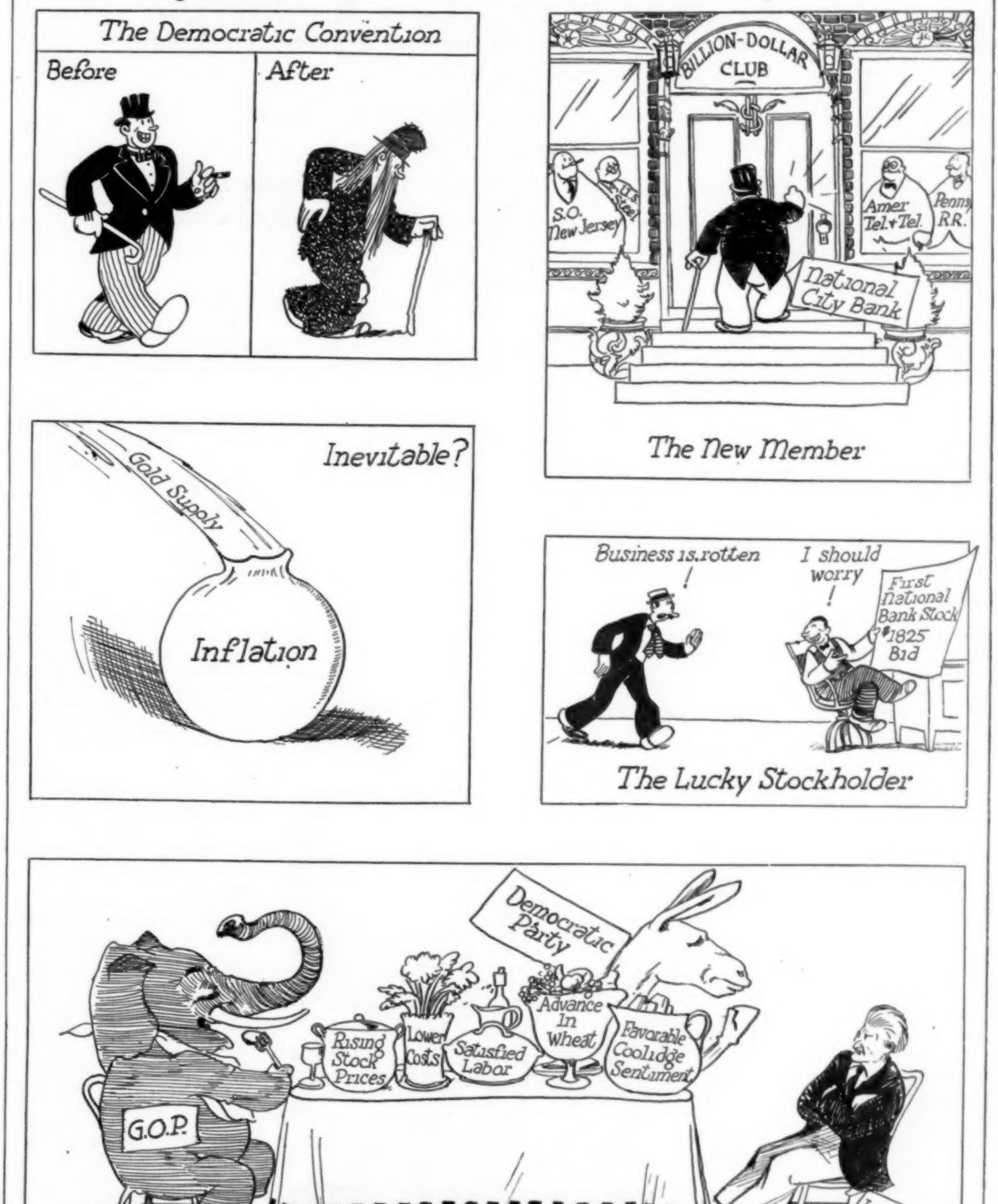
Two Examples Given

In the next column are given two examples of how this may be done. The first case deals with the purchase, on margin, of 100 shares of United States Realty & Improvement 7% preferred stock which may now be secured at around 102 to yield nearly 7%. In the second example, American Gas & Electric 6% bonds at around 94½ are given. The yield here is nearly 6½%.

In both cases, the straight yield is considerably higher than the interest which the investor must pay his broker. Careful examination of the situation reveals the fact that on a 2% call money market, reputable brokers will charge interest at no more than about

(*Please turn to page 490*)

Features of Current Finance



The credit of many American towns and cities has been put under a heavy strain by the wild extravagances of municipal authorities.

Many municipal bonds, for the first time in history, are being eyed askance by conservative investors.

Taxpayers need to take matters in their own hands and put things back on a sound basis.

If they doubt their power in the matter, let them read this account of what the taxpayers of a Western town actually did when the occasion arose.

One Town That Wouldn't Be Buffaloed!

How Its Citizens Put Down Waste and Forced Economy

By LENORA STUBBS

MUCH is being said and written these days about the high taxes which we have to pay, and while we are talking and writing, they keep getting higher and higher. Evidently something more than just talk is necessary if anything is to be accomplished in the way of keeping taxes down or lowering them, and it may interest others to know how a little western city of about 7,000 prevented the voting of a large bond issue which would have greatly increased the taxes and probably brought trouble upon the city. They didn't wait until after the election, the bonds were issued and the bill presented by the county treasurer when they went to pay their taxes, before expressing themselves in regard to the proposition. Some said it wasn't any use to undertake it, that school bonds always had carried and they thought they would this time, though they were not in favor of it; but that didn't deter them in their efforts.

Early in the fall, about two years ago, the school superintendent and school board of the little city began agitating the question of a new junior-senior high school. They selected an architect from a large city of the state to draw up the plans, and later, in the local daily, came out with a statement of their building program, stating the needs of the city educationally, as they saw them, and giving their reasons for deciding to call a bond election. The cost of the building and site was estimated at $300,000 and the bond issue was to be for that amount.

A Nice Little Surprise

Now comes a nice little surprise, or big surprise, rather, for it was stated at the end that the city could spend $300,000 for a school building and it would not increase the taxes. The superintendent and school board seemed to have some way of figuring unknown to others and that didn't satisfy the taxpayers, and some, at least, had serious doubts about the urgent need of any more room. The schools did not appear to be very badly crowded, and better management, it was thought, would remedy that difficulty.

HARD CLIMBING!

A few days later an article appeared in the daily paper under the heading, "A Woman's Views," in which she said she did not think they should allow themselves to be carried away with the idea of having a fine new school building without considering whether it was a wise thing to do, under the circumstances; that the bonded indebtedness of the school district was about $775,000 and that to add $300,000 more to the indebtedness would make the city and school indebtedness a million and 75 thousand dollars, which all would have to pay, renters as well as property owners, as rents and everything would be higher on account of the higher taxes; and that she thought all should give the matter careful thought and consideration, as it was important.

This set people to thinking about the cost and the wisdom of attempting the enterprise and they began to take considerable interest in the matter.

The school board decided to conduct a publicity campaign through the various organizations of the city and requested that a special bond election be called for December 6th.

About this time, the first of *(Please turn to page 500)*

What Common Sense and Hard Work Are Doing for Italy

The Meaning of the Return of Italian Government War Bonds to Par

By ROMOLO ANGELONE

Commercial Attaché, Italian Embassy

ON May 16th last, Italian Government war bonds reached par.

This event was, naturally, the cause of rejoicing in the country and will, no doubt, remain an historical date in the financial rehabilitation of Italy.

The return of Italian Government obligations to par is a clear and practical confirmation of the beneficial results and soundness of the socio-financial policy of the Fascista Government.

The Italian financial papers are bound to believe that this parity was reached on May 16th as the result of a speech made, on the previous day, by Professor Alberto de Stefani, the Minister of Finance. *In this speech it was officially stated that the Italian State Treasury will not, in the future, float new loans for balancing the budget and all fresh savings can be therefore at the command of private industrial and productive enterprises.*

Budget Finally Balanced

One of the main steps toward financial reconstruction has been rapidly achieved; the Italian State budget will be balanced during the present fiscal year. At the end of April last, said budget showed a deficit of only 190 million paper lire, but an amount of 539 million lire, representing estimated expenditures, had not been used up. The balancing of the Italian budget is the result of a wide and far-reaching fiscal reform.

Coupled with reductions of expenditures, efforts have been made toward a decrease of the national debt. The internal debt of the Italian Government amounted, on April 30th last, to 93,655 million paper lire, a reduction of 1,253 million lire from March 31st, and a total reduction of 1,889 millions from June 30, 1923. The reduction is a result of the retirement of Treasury notes. The amount outstanding on short-term notes on April 30th was 21,660 million lire, a decrease during the month of 250 millions. Issuance of this kind of obligation is now limited to renewals of notes having a maturity of seven months or longer, and on these a reduction of ¼ of one per cent has been made in the interest rate. One-year Italian Treasury notes now bear interest at the rate of 4½%. The official discount rate is 5½%.

The financial success of New Italy constitutes also a remarkable victory over the past generation in its fight toward national economic rehabilitation.

The return to normalcy after the long wars for national unity fought during the 50's, 60's and 70's was a longer and very slow process.

It took 32 years before the Government bonds reached parity. During 1867 the average quotation of the old 5% bonds was 53.32 lire; in 1877 it increased to 75.79 lire; and in 1887 to 98.46. During the next decade progress was very slow. As a matter of fact, a slight reaction occurred in 1897 when the average was 97.37. Par was reached in 1899 when the average quotation was 100.81. During the next 12 years, Italian Government bonds were quoted always above par and found good investment demand in several European countries. In 1905, while the yearly average was 105.26, it was possible for the Italian Treasury to reduce the interest from 5% to 3½% net. During 1912, the beginning of international disturbances in the Balkan States, all European consols suffered a decisive setback. During July, 1914, Italian bonds were quoted at 94.91.

The World War was largely financed by Italy with the flotation of Government war bonds bearing 5% interest. The large and continuous issues did not fail to bear heavily on this type of forced investment which kept depreciating in value, as illustrated in the accompanying chart.

New Accumulation of Savings

It is estimated that the new savings accumulating in Italy amount to about 12 billion lire yearly. During the past years the State, with continuous offers of new Treasury obligations, has used up a substantial part of new savings. As a result, the price of Italian bonds, representing a continuous offer, was very low. But with the balancing of the budget, the State has no need for fresh savings; the new capital will look, therefore, for old issues and industrial bonds and, as a result, Government bonds will tend to increase in price.

In other words, the reaching of parity of Italian bonds is the result of the abundance of new savings coupled with a sound financial State policy, which has made possible the restoration of the State budget.

From a fiscal point of view, the balancing of the budget and high prices for Government bonds are two aspects of the same phenomenon.

While this event has great financial importance, the social effects will, in the long run, prove to be more important and far reaching.

Government bonds at par mean a drive of small capitalists, small land-owners, and skilled laborers against big interests and big capitalists. While all the former classes, having fully regained their confidence in the financial stability of the State, will buy Government bonds climbing toward higher levels, banks and big capitalists will sell them, having bought same at bottom levels when distrust toward the State had caused a fearful flight from this kind of investment.

Government bonds become democratized, they enter the homes of modest means, become widely diffused among the middle class, strengthening the confidence in the State by the large majority of the people. Banks and big capitalists driven away from this form of investment will be forced to take chances in industry and trade; greater industrial activity and national prosperity will undoubtedly follow.

These very encouraging financial results have favorably reacted on the whole economic structure of the country.

100%	100.1%	81.4%	82.0%	92.4%	96.4%	109.5%
1918	1919	1920	1921	1922	1923	May 1924

Illustrating the Recovery of Italian Government Bonds— All Classes, in %, 1918=100%.

Eleven Attractive Railroad Securities

Some Railroad Securities Which Have Not Yet Fully Discounted Their Possibilities

BOTH railroad bonds and stocks have had a substantial rise during the past few months but that does not necessarily mean a scarcity of bargains in the rail group. The greatest price advances have been witnessed among the high-grade bond issues, and the more speculative stock and bond issues of certain roads showing unusually large increases in earnings or other favorable developments. Quite a few securities in the rail group have scarcely moved at all and yet the outlook for many of these is promising. Others have advanced in price, but seemingly not to the extent to which they should in view of the improved situation of the carriers.

Taken all in all, good opportunities appear to exist for the investor seeking semi-speculative securities that now yield a comparatively high return and have prospects of gradually working into a stronger investment position which would of course ultimately mean higher market quotations. Many of these and particularly the ones in the bond and preferred stock groups are now selling many points above the low levels of the past two years but this should not be considered too seriously if the yield is still high, and the dividend or interest payment comparatively well secured.

The forward strides that many of the roads have recently made more than outweigh the market advance of their securities. Take the Seaboard Air Line Railway Co., for example. This carrier has made a remarkable showing within the past year and a half, and its securities are fast being established on an investment basis. Every month of the current year, which has not been a particularly bright one for the carriers as a whole, has shown an increase in net for Seaboard Air Line and indications are that fixed charges will be earned this year by a substantially wide margin.

The road's securities have all gone to higher levels as might be expected, and are now quoted around top prices. But there is no reason to believe that the bond issues of the company will long continue to sell on a really high yield basis such as the Consolidated 6s of 1945 which are now quoted at 80 to return 7.85 per cent to maturity. Further improvement may be expected in the operations of the road and a lower yield basis may ultimately be expected for its securities, no matter what intermediate fluctuations may take place.

It is interesting to note that, while the securities of many of the so-called weaker roads have become more or less speculative favorites within recent months, several investment stock issues of well-established roads have been almost entirely neglected. For instance the capital stock of the New York Central is selling below the high prices of 1923 in spite of easy money conditions and very satisfactory earnings. Even Union Pacific is allowed to sell on a 7.35 per cent yield basis under conditions in the money market and railroad world which would lead one to believe that a 6 per cent return was high.

The better grade common stocks in the rail group appear to offer real opportunities to investors. Even those that are selling to yield high returns offer a good degree of safety in regard to continuance of present dividend rates. While car loadings are about 10 per cent below last year's and gross revenues are lower, there has been little decrease in net income of the great majority of the carriers. The good condition of their properties and efficiency of present operations have done much to offset smaller revenues and the prevalence of cheap money will also aid in reducing costs. The only unfavorable circumstance in the outlook is small volume of traffic and this can scarcely be expected to continue for long, since the freight movement in this country shows a fairly steady growth. With prospects for good crops and a return of confidence to the business world it is even likely that the fall of the current year will witness a decided gain in railway traffic, and an increase in railway earnings which are already fairly favorable.

In choosing a rail bond or stock issue for investment at this time, particular attention should be paid to its prospects under contemplated consolidations. There is no doubt that many rail securities will be enhanced in value through combina-

(*Please turn to page* 483)

ATTRACTIVE RAIL SECURITIES YIELDING HIGH RETURNS

BONDS	Name of Issue	Int. Charges Times Earned* 5-Yr. Aver.	1924 Est.	Price Range 1923	1924	Recent Price	Yield %
Seaboard Air Line	Cons. 6s of 1945	1.20	1.50	58-68	68-81	80	7.85
St. Louis & San Franc.	Adj. Mtge 6s of 1955	1.25	1.60	67-80	72-78	77	8.00
Missouri Pacific	Gen.Mtge 4s of 1975	0.75	1.20	47-63	51-61	60	6.75

* Earned on entire funded debt.

PREFERREDS	Name of Issue	Earn'gs per Share 5-Yr. Aver.	1924 Est.	Price Range 1923	1924	Recent Price	Yield %
N. Y., Chic. St. Louis	6% cum pfd.	$20	$19	86-95	83-87	87	6.85
St. Louis Southwest.	5% non-cum. pfd.	14	15	54-63	57-66	65	7.70
Bangor & Aroostook	7% cum. pfd.	16	18	84-94	86-91	91	7.65

COMMON STOCKS	Name of Issue	Earnings per Share 1920	1921	1922	1923	1924 est.	Curr't Div. Rate	Price Range 1923	1924	Recent Price	Yield %
New York Central	Capital Stock	....	$8.95	$8.00	$16.90	$21.00	$7	90-107	99-107	104	6.75
Southern Pacific	Capital Stock	$2.95	8.90	9.47	12.90	9.00	6	84- 95	85- 94	92	6.50
Union Pacific	Common Stock	14.50	12.30	12.75	16.15	17.00	10	124-144	126-137	136	7.35
Illinois Central	Common Stock	1.30	9.25	14.30	13.55	21.00	7	99-117	100-106	106	6.60
Great Northern	Capital Stock	....	11.45	4.35	7.25	6.36	5	80- 50	53- 63	63	7.90

Sharp Decline in May Railroad Traffic

Lower Gross and Net—Operating Ratios Improved—Prospects of Individual Stocks

THE downward course of railroad earnings which started in March has continued through May. Gross earnings of Class 1 roads declined 12.9% in May, compared with a decrease of 9.3% in April. Some roads were in a position to offset the decline in gross by lower operating ratios but this was the exception. There was consequently a decline in net of 32.7%, compared with a decline of 26% in April.

The Southern roads and many of the Southwestern roads continue to show resistance to the general decline in earnings, and the roads in this section of the country will probably continue to report satisfactory conditions. Earnings of several roads are sufficiently favorable to warrant expectation that dividends will be increased or inaugurated. This, together with the broad movement toward consolidation of the railroads of the country into fewer and larger systems, warrants a hopeful attitude on many railroad issues.

Although *Southern Pacific* for the five months ended May 31st, shows a decline of about 3 millions, the comparison is with unusually large earnings in 1923, and this road is still earning sufficient margin over its dividend rate of $6 to warrant consideration of an increase. Both *Great Northern* and *Northern Pacific* have been successful this year in lowering their operating ratio, and although there has been a substantial decline in gross business, net earnings for the five months are ahead of the 1923 figures and the $5 dividends are being earned. There now appears to be a fair prospect of a combination of these two roads and *Chicago, Burlington & Quincy,* which they jointly control, into one system. With grain prices advancing, the outlook is more encouraging in the northwest and both Great Northern and Northern Pacific stocks have interesting speculative possibilities at present levels.

Missouri Pacific continues to report larger net earnings. For the first five months of this year, net showed an increase of nearly 100%. Missouri Pacific is developing into one of the largest systems in the country with prospects for steady growth in earning power. The 5% preferred stock with 30% back dividends due has good long-pull possibilities, although dividends may be delayed for some time in view of the large sums Missouri Pacific has been obliged to expend for the acquisition of other railroad properties.

Missouri, Kansas & Texas earnings continue to hold up very well and dividends on the 7% preferred stock may not be far off, although a rate as high as 7% cannot reasonably be expected at any time in the near future.

Although net has fallen off somewhat, *New York Central* earnings, including equities in the earnings of controlled roads are at the rate of close to $20 a share and a higher dividend than 7% could undoubtedly be paid. Under present money conditions, this 7% stock selling around 104 is obviously on the bargain counter.

***ANNUAL RATE OF RAILROAD EARNINGS, BASED ON FIRST FIVE MONTHS OF 1924**

The following table gives the annual rate at which railroad earnings are running, based on operations for the first five months of 1924, and allowing for seasonal fluctuations of traffic of each individual road:

Road	% *Charges Earned*	$ *Per Share on Preferred*	$ *Per Share on Common*	% *Earnings on Mkt. Price*
Atchison	...	....	8.25	8.0
Atlantic Coast Line	...	....	21.78	17.8
Baltimore & Ohio	...	....	11.80	20.4
Canadian Pacific	...	....	10.00	7.0
Chesapeake & Ohio	...	....	20.04	24.2
Chicago & Eastern Illinois	62	....	....	....
Chicago, Rock Island & Pacific	...	4.71	....	....
Chicago Great Western	100	....	....	....
Chicago, Mil. & St. Paul	63	....	....	....
Chicago Northwestern	...	....	6.28	11.0
Delaware & Hudson	...	....	13.13	11.3
Delaware, Lackawanna & West.	...	....	9.64	8.0
Erie	...	....	8.55	30.5
Great Northern	...	....	5.87	9.5
Gulf, Mobile & Northern	...	7.70	....	11.2
Illinois Central	...	....	20.00	19.0
Kansas City Southern	...	....	4.33	21.6
Lehigh Valley	...	....	7.80	16.2
Louisville & Nashville	...	....	9.85	10.2
Minn., St. Paul & S. S. Marie	50	....	....	....
Missouri, Kansas & Texas	...	13.33	....	32.0
Missouri Pacific	...	8.00	....	17.0
New York, Chicago & St. Louis	...	....	9.00	9.4
New York Central	...	....	17.80	17.0
N. Y., New Haven & Hartford	...	....	5.27	22.0
Norfolk & Western	...	....	9.00	7.6
Northern Pacific	...	....	5.06	8.0
Pennsylvania	...	....	5.75	12.8
Pere Marquette	...	....	8.00	15.4
Reading	...	....	6.00	10.9
St. Louis-San Francisco	...	....	10.46	41.0
St. Louis Southwestern	...	....	6.85	17.1
Seaboard Air Line	...	6.07	....	24.1
Southern Pacific	...	....	9.04	9.7
Southern Railway	...	....	10.74	16.5
Texas & Pacific	...	....	3.47	10.9
Union Pacific	...	....	14.26	10.5
Wabash	...	8.11	....	19.3

* Earnings given in this table are not an estimate of the full year's results, but simply indicate the annual rate of earnings for the first five months.

Rail Freight Traffic (Number of Cars Loaded)

Bonds

Will the Ghost of Business Rise to Plague Long-Term Bond Holders?

An Inquiry Into the Position of Large Holders of Bonds, Particularly Banks

By H. PARKER WILLIS

ONE of the most striking developments in banking during the year 1924 has been the extent to which the banks of the country have sustained the bond market by purchasing securities. The year started with somewhat of a decline in interest rates, and in the volume of demand at the rank and file of banks. This recession or shrinkage showed itself further in a receding rate of interest for call funds and a considerable oversupply of such funds at the various market points.

"On the basis of past experience, the banks may reasonably expect fairly severe losses on their holdings of long-term bonds. This is merely the outgrowth of observation of experts over long periods of years. It needs no business 'ghost come from the grave' to tell them this. Those who are now over-burdened with long-term securities will do well to look to the question of disposing of them as soon as they can before the turning point arrives, as it will whenever business recovery shows its head."

As the condition developed to a more marked degree, call rates fell off, and time rates and commercial paper followed suit. The result was the natural endeavor on the part of a good many institutions to find a new outlet for their cash, and when they failed to do so in ordinary business channels, they began to buy more and more bonds and notes in the open market and thus to keep their funds employed.

The figures of the reporting member banks of the Federal Reserve System give some idea of the growth of this tendency. For a recent date, the total amount of their holdings exclusive of government bonds, was $2,464,157,000 which meant probably $6,250,000,000 or more for the country as a whole, including banks of every description. This must be compared with $2,140,000,000 for the banks of the Reserve System a year earlier and with probably $5,400,000,000 for the entire country, or an increase of $850,000,000.

Sustaining the Market

This action on the part of the banks has had a very powerful sustaining influence on the bond market. It has tended to advance prices reasonably fast in some descriptions, while even where it had no direct or visible effect on prices, it did operate to prevent shrinkages that would otherwise have inevitably occurred. All told, therefore, the bond market must recognize the easy money situation, and the lack of demand at banks for commercial loans, as having been one of the principal factors tending to hold it up within the past few months. From this, the inference follows that when the banks begin to go out of the market the effect of their action will be equally pronounced.

As they dispose of their large bond holdings, they will tend to depress prices, and such depression will of course render it still harder for them to unload further holdings. In such a situation, it may easily be that they will find themselves driven to rediscounting their paper with reserve banks, in order to avoid the necessity of selling bonds for the purpose of realizing funds out of which to get cash for the customers who are beginning to increase the amount of their applications for current funds.

Such rediscounting could not, however, be continued a great while, and eventually the bonds held by the banks would necessarily have to find their way back into the market, in order that the various institutions might obtain the wherewithal to settle their obligations to reserve banks and yet leave themselves in fairly satisfactory condition.

Thus the policy which is being followed today is one which is likely to have an exceedingly important future effect upon the market for investment securities. This future effect will, if anything, be likely to have greater scope than the influence that is being produced at the present time by the actual purchases of the bonds. The question, therefore, of the policy which the banks are following and in making their selections of bonds for purchase, is of great importance to the money market, beside having an important bearing upon the earnings situation as affecting the banks themselves.

The bonds which have been purchased most heavily of late have been those of the railroads. Ever since the adjournment of Congress, there has been a feeling of greater assurance concerning the future of railroads; and, as a result, the tendency on the part of all classes of investors has been to regard the roads and their securities from a more friendly point of view. In consequence, a good many banks have been disposed to make up a sort of combination purchase, involving a bedrock of senior securities of standard rails, mixed in with some semi-rail and semi-real-estate bonds such as those of the various terminals in principal cities, and to an extent with the securities of roads that are controlled by, or ancillary to, main lines.

The effect of this policy has been to create a pretty strong rail market. It has furnished a good backlog of buying power for the old-line standard securities, and at the same time it has left speculative activity to center around the second-grade rails. Indeed, some of the less cautious institutions have been disposed to buy so-called "cheap" bonds; which, it is to be feared, are, in some cases at least, cheap in a sense different from that which is intended, thereby putting an element of lower-grade rails into their portfolios than they ought to. High-grade industrials have also figured during the last three months more largely than ever before in bank portfolios. Some of the pricipal issues of rubber bonds paying 6 or 7 per cent or more and usually classed as "business man's investments" have, for the first time, found a resting place in the

(Please turn to page 502)

BONDS

Market Continues Strong

THE action of the bond market during the past two weeks followed along the lines anticipated and expounded in these columns.

It will be observed that, while the gilt-edge bonds carried in the Bond Buyers' Guide (and this is illustrative of bond prices generally) show practically no changes, substantial advances were recorded in other divisions. In the middle-grade section among the rails, Erie & Jersey 6s and New York, Ontario and Western 4s, gained 1½ points, but the advances were more notable among public utilities and industrials. Wilson & Company first 6s, to which we have from time to time called attention as selling entirely out of line with intrinsic values, jumped seven points on a statement that the outlook for amicable adjustment of the company's financial difficulties was more favorable.

United States Rubber Company issues, which also had suffered, although to a far less extent, from similar reasons, recovered over two points from their recent low and now seem on the way upward. Among the public utilities, the largest gains were made by the Denver Gas & Electric 5s, American Water Works & Electric Corporation collateral trust 5s, the local traction securities.

Among the frankly speculative bonds, there were a number of good gains. The excellent financial condition of the Cuba Cane Sugar Corporation and good earnings for the current year were reflected in advances of two points in the bonds of the company. Among the rails, the M. K. & T. adjustment mortgage 5s gained 2½ points and the Erie, St. Louis & San Francisco, Seaboard Air Line junior securities one to two points.

Subscribers will note that we have eliminated the Duquesne Light Company 6s from the high-grade division. The bond is a good investment, so far as security is concerned, but it is now selling at 106, whereas it is callable at 105, so there is no advantage to be gained in holding it, with the return around 5½% at present levels. Our suggestion is that holders substitute therefor the Laclede Gas Light Company of St. Louis first mortgage collateral and refunding gold 5½s, series "C," due in 1953, of which 17.5 million are oustanding. In effect, there are only 10 million dollars prior liens outstanding, as the remaining 10 millions of the refunding and extension 5s of 1934, are deposited as security for the first mortgage collateral and refunding 5½s. The funded debt is, therefore, in reality, only 27.5 million, whereas the property values of the company are in excess of 40 million, to say nothing of the great value of its franchise rights in St. Louis and vicinity, and there is no doubt of the company's ability to cover interest requirements by a substantial margin. The bonds return almost 6%, which is the reason we prefer them to the refunding and extension 5s, which are selling on a 5½% basis, and, so far as security is concerned, it is our opinion holders will do just as well in holding the 5½s and obtaining the better yield.

BOND BUYERS' GUIDE

(Bonds listed in order of preference)

		Apx. Price	Apx. Yield	§Int. earned on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Great Northern Genl. 7s, 1936	(c)	109	5.95	2.85
Atlantic & Danville 1st 4s, 1948	(a)	80	5.50	....
Western Union Telegraph Co. 6½s, 1936	(a)	111½	5.50	c 6.85
New York Edison Co. 6½s, 1941	(b)	111½	5.50	3.30
Canadian Northern Debenture 6½s, 1946	(a)	113½	5.40	*
Delaware & Hudson 7s, 1930	(b)	109	5.40	2.10
Bush Terminal Buildings 5s, 1960	(a)	96	5.25	1.85
Callable Bonds:				
Armour & Co. Real Estate 4½s, 1939	(a)	86	5.90	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953	(c)	93½	5.95	1.41
Philadelphia Company 6s, 1944	(c)	103¾	5.80	3.50
Canadian General Electric deb. 6s, 1942	(a)	105½	5.60	g 2.80
Short-Term Bonds:				
Rock Island-Frisco Terminal 5s, 1927	(a)	99½	5.20	....
Columbia Gas & Electric Co. 1st 5s, 1927	(b)	99½	5.20	7.60
Toledo, St. Louis & Western prior lien 3½s, 1925	(a)	98¾	5.50	1.90
Seaboard & Roanoke 1s 5s, 1926	(a)	99½	5.20	....
St. Louis-San Francisco Series "C" 6s, 1928	(c)	102	5.40	1.50
Dominion of Canada Internal 5½s, 1927	(d)	100¾	5.30	....
Aluminum Company of America 7s, 1925	(a)	103	5.00	....
Bell Telephone Company of Canada	(b)	97	5.65	2.75
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Cuba R. R. 1st 5s, 1952	(a)	83	6.30	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	70	6.35	1.25
Western Pacific 1st 5s, 1946	(c)	89	5.90	2.40
New York, Ontario & Western 4s, 1992	(a)	66½	6.05	2.00
Erie & Jersey 1st 6s, 1955	(a)	100	6.00	1.50
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	86	6.00	1.10
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	90	5.75	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.00	1.50
Rutland R. R. 1st 4½s, 1941	(a)	85	5.90	1.75
Chesapeake & Ohio conv. 5s, 1946	(b)	97	5.25	1.65
Industrials:				
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	102¾	6.70	3.20
Wilson & Co. 1st 6s, 1941	(a)	89	7.10	1.35
Sinclair Pipe Line 6s, 1942	(b)	84½	6.50	g 2.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	116	6.50	4.00
California Petroleum Corp. 6½s, 1933	(c)	98	6.80	4.80
International Paper Co. 5s, 1947	(a)	86	6.15	3.50
U. S. Rubber 5s, 1947	(c)	81½	6.55	2.05
Bethlehem Steel Co. 5s, 1936	(a)	88½	6.25	f 2.30
Computing Tabulating & Recording 6s, 1941	(b)	100	6.00	5.50
Armour & Co. of Del. 1st 5½s, 1943	(c)	88	6.60	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	96½	6.25	g 1.25
Union Bag & Paper Co. 6s, 1942	(b)	96	6.35	f 4.40
Public Utilities:				
Manhattan Railway Cons. 4s, 1990	(a)	61	6.70	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	91¼	6.20	2.40
United Fuel Gas 6s, 1936	(b)	98	6.25	e 2.70
Virginia Railway & Power 5s, 1934	(a)	92	6.00	2.00
American Gas & Electric 6s, 2014	(c)	95½	6.30	2.00
Hudson & Manhattan Refunding 5s, 1957	(c)	87	5.90	2.00
Kansas Gas & Electric 6s, 1952	(b)	97	6.20	1.80
Havana Elec. Ry. Light & Power 5s, 1954	(a)	86½	6.00	5.00
Montreal Tramways 5s, 1941	(c)	91½	5.80	g 1.25
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	91	5.70	c 4.70
Commonwealth Power Corp. 6s, 1947	(c)	93	6.50	4.50
Dominion Power & Transmission 1st 5s, 1932	(a)	93	6.00	2.10
SPECULATIVE (For Income and Profit)				
Railroads:				
Erie Genl. Lien 4s, 1996	(b)	59	6.80	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	77½	8.00	1.25
Seaboard Air Line 4s, 1950	(a)	70	6.35	1.20
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	61½	8.20	1.10
Chicago Great Western 1st 4s, 1959	(a)	55½	7.70	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	62	7.10	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	81½	7.10	....
Industrials:				
Cuba Cane Sugar 7s, 1930	(c)	95	8.10	2.15
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	92	8.50	3.30
International Mercantile Marine 6s, 1941	(b)	84½	7.70	2.50
Public Utilities:				
Brooklyn-Manhattan Transit 6s, 1968	(c)	79¾	7.60	f 1.50
Chicago Railways 1st 5s, 1927	(a)	77	15.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	67½	7.75	2.00
Interboro Rapid Transit 5s, 1966	(a)	67¾	7.55	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	57	7.40	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. § This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years g Average last four years. i Does not include interest on adjustment bonds.

What the News Means

— Timely and plain-spoken interpretations of the important financial happenings of the day —

THE most important event of the fortnight was the selection of John W. Davis as the standard bearer of the Democratic party. It cannot be said that this has made much difference to the stock market which has evidently reached its own conclusions as to who is going to be President. In any case, it is not parties or Presidential candidates which determine the course of markets but the prospects for business which at this time seems on the verge of improvement.

Buried in a brief résumé of the business outlook for the PERE MARQUETTE there appeared, the other day, a statement in which Frank H. Alfred, president of the Marquette Railway, said in an interview: "—— he was reasonably certain the Van Sweringens had not yet secured control of Pere Marquette, although he practically admitted they had been buying the stock."

That the Van Sweringens intend to add Pere Marquette to their great and growing chain of railroads has been bruited about the Street for several months, but the quotation above is second only to an official confirmation. The Cleveland brothers do not buy railroad stocks merely as investments and the reasonable certainty that Pere Marquette will be added to the Van Sweringen system is of great import to Nickel Plate, Chesapeake & Ohio and Erie as well as to the Pere Marquette itself.

Careful watchers of the public prints will note that Gerard Swope, president of the GENERAL ELECTRIC COMPANY and John N. Willys, president of WILLYS OVERLAND, seem possessed of the spirit of wanderlust. One day, a brief item about or perhaps a short interview with Mr. Willys will be telegraphed from some midcontinent city and a few weeks later his arrival will be reported on the Pacific coast. The same with Mr. Swope. Neither are rambling about the country for pleasure or for the joy of roaming. They are the best types of traveling executives. The rigors of the sleeping car has no terrors for them. Obviously, companies whose chief executives keep in personal and direct touch with subsidiaries and branches are likely to fare better than those of desk chair executives who rely on the telegraph and subordinates. News of this sort is, of course, not conclusive in itself, but it is indicative and well worth noting.

SCRAP STEEL, which has just advanced nearly a dollar a ton, is a good practical barometer of the future of steel prices. Probably, steel prices hit the bottom. The next move should be upward, though it may be limited in scope.

"Chile Up to Date. Country Makes Great Strides in Electrical Development" and "Italy's Power Progress. Invested Capital Four Times that at the Start of the War." Both of the foregoing headlines are from short paragraphs which appeared in the morning newspapers of recent date. Seemingly they are strong arguments in favor of the copper-producing companies, since electrical development is synonymous with demand for copper. Acting upon the hint and delving into the copper situation the inquiring mind discovers that notwithstanding the tremendous use of copper in this country, which is at a record rate, and notwithstanding such electrical developments abroad as indicated by the above quoted headlines, the world's production of copper is still above the world's consumptive demands. Moreover, there is no indication of an immediate change in that situation.

On the other hand, the paralysis of the great German electrical companies as a result of the war and post-war conditions presented a great opportunity to American electrical manufacturing companies. Here is, perhaps, one angle of the answer to why GENERAL ELECTRIC is selling close to 250 a share. But the student must remember that the great German companies are not going to be negligent competitors forever. As a matter of fact, the electrical manufacturers here are girding themselves for formidable competition from abroad.

When is news not news? The answer is perhaps not "Nine times out of ten" but at least "oftentimes." Of late years the so-called "technical denial" has been evolved. This is an iniquitous invention unworthy of the otherwise seemingly estimable individuals who resort to it. For instance, one may see in his morning paper a statement something like this: "Asked if the dividend on American Gaspipe was about to be reduced (American Gaspipe has dropped ten points in a week) George H. Gloom, chairman of the board, said: 'Our board of directors have given no consideration to the matter.'" Obviously the inference is that since the directors had not considered the matter there was no likelihood of the dividend being reduced. Two weeks later, however, one picks up his morning paper and finds that the dividend has been passed. At the time chairman Gloom made his statement the board of directors probably had not met for dividend action but every director as well as the chairman of the board were aware of the fact that earnings no longer warranted continuation of dividends. A case of the truth which lies.

Not very long ago a despatch from the midcontinent fields announced that T. B. Slick had struck a deep oil sand in the Tonkawa field. T. B. Slick is an individual and at first blush it would seem that all the news item conveyed to the reader was that Mr. Slick is a very fortunate individual. It required no very great brain capacity, however, to deduce that other companies operating in the Tonkawa field were in line to share in Slick's good fortune. Among the companies best situated was the PENNOCK OIL CO. About two weeks ago, it brought in a well in the deep sand which greatly increased the company's production. Also its earning power and the prospects for its stock.

Adjourned dividend meetings for "lack of a quorum" are always danger signals. It occasionally happens, of course, that such an adjournment is bona fide through lack of the presence of the requisite number of directors. In such cases, however, the meeting is al-

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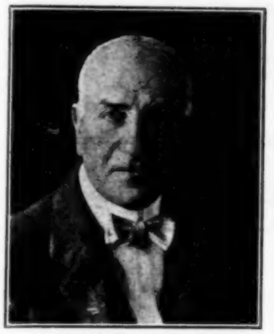
The H. H. Franklin automobile company has resumed work in its assembling plant. Up to this time, Franklin has been entirely shut down owing to inability to move surplus cars. Starting up the assembling plant is evidently a sign that curtailment of auto production—common to the entire industry in the past couple of months—has proved successful in regard to liquidating the large surplus. The New Process Gear Company, also at Syracuse, N. Y., is expected to increase output. More important plants will soon be heard from. The automobile industry has evidently struck bottom.

Soft-coal production for the week ending June 28 rose to 7.3 millions. This is about the largest in the past three months, output having at one time declined to below 6 million tons. The upward trend is significant, for this is a barometer which usually indicates the next move in industry. It is reported that some of the steel plants are buyers, evidently reflecting the fact not only that stocks are low but that mill executives expect an increase in steel demand.



S. R. GUGGENHEIM
of the Guggenheim Brothers

C. E. MITCHELL
Pres., National City Bank

ways held within a few days thereafter and the dividends declared. More often than not meetings which are adjourned for lack of quorums simply mean that the directors felt that the dividend could not be safely declared and through a technical device postponed the evil day of passing the dividend in the hopes that something might turn up which would enable them to declare the regular disbursement. The cases where such hopes proved to be well founded are exceedingly rare.

THE NAT'L CITY BANK is the first American bank to reach the billion-dollar mark resources. The crossing of the billion-dollar mark was entirely due to the increase in the bank's own assets. It does not owe a dollar to the Federal Reserve System. Nat'l City stock which is quoted at around $362 per share, pays dividend of $20, including extra dividends, and yields 5.50%, high for a bank stock.

There is reported to be a fight on among the higher-ups in the VIVAUDOU, INC. This unfortunate stock has had an immense drop, now selling at a few dollars a share. Business is reported to be picking up but what seems to be holding the stock down is a fight between the factions to get control. This seems to be a case where the innocent bystander—the little investor—is the one who gets hurt.

Recent developments in FOREIGN EXCHANGE seem to favor sterling. The Labor government has not proved such a calamity, it seems. All Englishmen, no matter what their political denomination, are for England first.

The fifteen million dollar note issue recently sold by the ATLANTIC REFINING COMPANY to retire bank loans, reflects unsatisfactory operations within the past year but it strengthens its financial position. The loan was secured at a rate of interest much below that ordinarily charged by banks. Probably, the downward plunge in common stock from a high of 140 for the year to around present prices of 90, anticipates a change in the $4 annual dividend rate when that question comes before the board on August 13th. The stock is now selling around low levels for a number of years past.

THE STANDARD OIL COMPANY OF CALIFORNIA officially announces that conditions in the oil industry on the Pacific Coast have definitely turned for the better. At the same time, announcement is made that the gasoline supply at virtually the beginning of the largest consumption period is sufficient for 105 days. For sometime, it has been apparent that production and consumption are within striking distance of balance. Now, comes the Attorney General with an indictment of the oil companies for what—licensing their various patents for gasoline extraction. There is nothing in this latest political gesture against the industry to cause concern to shareholders of the strong companies. The fact that they have permitted weaker members to use their patents has really operated to increase competition. If the companies were to follow the theory of the Government and shut out the smaller concerns from their processes, it would result in greater control by these strong companies. All straws seem to point to the fact that the industry is now on an improving basis.

With foreign travel at high tide and apparently on the eve of breaking all records, it is interesting to note that the AMERICAN EXPRESS COMPANY is in an exceptionally strong position to capitalize the vacation trend toward Europe. As the company does an international banking and travel business, including the sale of money orders, drafts, checks and letters of credit available throughout the world, the record breaking flow overseas is significant of possibilities for American Express not only from the standpoint of earnings, but marketwise as well. The effect has already shown itself in the earnings for the first quarter of 1924 of $485,000. This is at the rate of $1,940,000 per annum ($10.75 a share) as against $1,295,480 ($6.54 a share) in 1923. A continuation of this showing may easily lead to greater dividends and a higher market valuation for American Express, now selling around $107 and paying $6 per annum.

S. R. GUGGENHEIM, of Guggenheim Brothers, recently stated in regard to the copper industry: "Business in general depends on the election; when general business improves the copper industry will pick up. The great hope for the copper industry is that the European countries will get together on the Dawes plan, and if they do it will cause tremendous buying by Germany." To bring about a boom in the copper industry in view of the increased output of the red metal a large domestic demand is not only necessary but must be supplemented by a substantial European demand. The stocks of many copper companies are selling at relatively low prices and some have speculative possibilities. However, with two important "IFS" in the situation and the probability that it will take some time before a large European demand develops even if conditions continue to move along satisfactory lines abroad, a good deal of discrimination should be shown in purchasing copper shares. In preference to others, the shrewd investor might consider issues such as Magma Copper convertible 7s and stocks of the strictly low cost producers, such as Kennecott, Chile and Cerro de Pasco.

The regular dividend just declared on the preferred stock of U. S. Rubber Company indicates that the management has determined to make every effort to maintain the dividend on this stock. There has been thorough housecleaning in the organization, duplication of efforts has been eliminated, and some high price salaries that were not found justifiable have been pared. It is to be noted, however, that the company still has bank loans of around 38 millions and the recent 15% cut in tire prices will probably eliminate profit in this end of the business for the balance of the year. Obviously, Rubber preferred is still in a speculative position.

WELL KNOWN MARKET TERMS No. 1

Accumulating some "Long Term" Bonds

Industrials

Eight Stock Bargains Off the Beaten Track

Stocks that Are Covered Chiefly by Cash or the Equivalent—No Bonds or Preferred Stock Ahead of These Issues—An Unusually Interesting Group of Securities

By BENJAMIN GRAHAM

Note: This article discusses the position of a rare group of stocks characterized by two general features (1) the practical absence of liabilities ahead of these issues and (2) the ownership of cash assets covering the major portion of the prices at which they are selling in the market. We take this opportunity of pointing out that the stocks analyzed are not generally known to the investing public, that their markets are consequently narrow, and that if purchased it should be at a price and not "at the market."

SUPPOSE there were a company without liabilities of any sort, except small current accounts and its capital stock. Suppose the stock sold at $138 per share, while the company held cash and marketable securities aggregating $175 per share. In other words, it had $30 per share more in cash than the selling price of the stock. And suppose it held another $127 per share, represented by shares at par in a dividend-paying railroad. And another $120 per share in subsidiary investments. Finally, suppose it carried its own fixed assets at another $7 per share, although last year they returned net operating profits of $30 per share.

"What is the use of supposing," growls the Gentle Reader. "It is all too good to be true." *Au contraire*, the identical situation exists in the market today—except that the par of the stock happens to be $1 instead of $100, so that all the above figures, including the price, refer to 100 shares instead of to one share. The concern is the Tonopah Mining Company, listed in Philadelphia and on the New York Curb, and currently selling at 1⅜, par $1.00.

EIGHT CASH ASSET STOCKS

No Bonds or Preferred Stocks Ahead of These Issues

	Liquid Assets* (Per Share)	Market Price (Per Share)	Market
Tonopah Mining	$4.31	$1.38	Phila. Stock Exch. / N. Y. Curb
Transue & Williams	24.62	28.00	N.Y.Stock Ex.
Crex Carpet	39.90	29.00	N.Y.Stock Ex.
Cumberland Pipe Line ...	88.20	128.00a	N. Y. Curb
Southern Pipe Line	80.79	95.00	N. Y. Curb
Pennok Oil	8.36	15.50b	N.Y.Stock Ex.
Shattuck-Arizona Copper	4.53	5.00	N.Y.Stock Ex.
Wright Aeronautical	19.79	10.50	N.Y.Stock Ex.

* Including current assets, after deducting current liabilities.
a Earned per share, 1923, $26.21.
b Earned per share, 1923, $5.28.

A glance at the appended analysis of the latest balance-sheet will confirm our statement that **the company actually has cash assets in excess of the selling price of its stock; and that its total assets are three times its market value,** the smallest item being its mine and equipment. The company is paying dividends of 15% (15 cents per share) and has an uninterrupted dividend record of twenty years, during which it has paid out $15,550,000 on $1,000,000 of stock—an average of over 75% per annum. The earnings last year were 52 cents per share, or 37% on the market price; but about 30 cents per share was written off for exploration and development of new properties.

How is it possible that an issue with the splendid record of Tonopah Mining should sell at less than the company's cash assets alone? Three explanations of this strange situation may be given. The company's rich mines at Tonopah are known to be virtually exhausted. At the same time the strenuous efforts of the Exploration Department to develop new properties have met with but indifferent success. Finally, the drop in the price of silver last year has provided another bearish argument. It is this combination of unfavorable factors which has carried the price down from 7⅛ in 1917 to its present low quotation.

Granting that the operating outlook is uncertain, one must still marvel at that triumph of pessimism which refuses to value the issue at even the amount of its cash and marketable investments; particularly since there is every reason to believe that the company's holdings in the Tonopah & Goldfield railroad and various other subsidiaries, are themselves intrinsically worth the present selling price. Perhaps there is a fear that this wealth of assets will be dissipated in the search for new properties.

The management's policy restricts exploration expenditures to a sum within the current income, and the cash assets will not be drawn upon without the approval of the stockholders. Some interests have been agitating for a liquidation of the enterprise and a distribution of the assets among the shareholders. Were this decided upon, the stockholders would certainly receive liquidating dividends well in excess of the current price. On the other hand, the writer believes with the majority of stockholders that "the thoroughly capable and experienced management" (to quote Weed in the Mines Handbook) is in the end more likely to multiply than to dissipate the company's assets through the development of new properties.

Tonopah Mining is representative of an unusual group of common stocks which are distinguished first by the virtual absence of any kind of liability ahead of them, and secondly by the ownership of cash assets covering the major portion of the selling price. Cash assets include call loans and readily marketable securities, besides money in the bank. (We do not list

Tonopah Mining

Capitalization: 1,000,000 shares, selling at 1⅜. Total market value $1,375,000. No bonds or preferred stock.

Balance Sheet. Dec. 31, 1923.

		Amount	Per Share
Cash Assets		$1,752,000	$1.75
Other Current Assets	$152,000		
Less All Liabilities	66,000		
		86,000	.09
Tonopah & Goldfield R. R. Stock		1,272,000	1.27
Investments in Subsidiaries		1,196,000	1.20
Mine and Equipment		69,000	.07
		$4,375,000	$4.38

Income Account, 1923

		Per Share
Gross (from own mine)	$1,262,000	$1.26
Net from Operations	308,000	.31
Net from Investments	211,000	.21
Total Income	519,000	.52
Exploration Expenditures	296,000	.30
Balance for Dividends	223,000	.22

Transue & Williams Steel Forging

Capitalization: 100,000 shares, selling at 28. Total market value, $2,800,000. No bonds or preferred stock.

Balance Sheet, May 31, 1924.

		Amount	Per Share
Cash Assets		$1,856,000	$18.56
Other Current Assets	$855,000		
Less All Liabilities	249,000		
		606,000	6.06
Fixed Assets, net		1,259,000	12.59
		$3,721,000	$37,21

Income Account, 1923

		Per Share
Operating Revenues	$6,247,000	$62.47
Operating Income	506,000	5.06
Depreciation	116,000	1.16
Net Operating Income	390,000	3.90
Investment Income	69,000	.69
Total Income	459,000	4.59

Net earnings for five months ended March 31, 1924, were at the annual rate of $2.64 per share.

under this title accounts receivable or inventories).

Issues of this type are extremely rare. The cash and Liberty Bond holdings of U. S. Steel or General Electric, great as they are, still do not suffice to place them in this category. One might imagine, off-hand, that companies in such exemplary financial condition would be eagerly sought by conservative investors, and that their shares would be active and popular. Exactly the opposite is true.

Of the eight issues which are analysed in this article, as deserving the title of Cash Asset Stocks, not a single one may be called an investment favorite. In fact, most of them are practically unknown to the rank and file of security buyers. But on reflection this is found not to be surprising. After all, the standard, popula. issues are rarely exceptionally attractive; and, conversely, the best bargains are usually found far off the beaten track. For how long can an issue sell substantially below its minimum intrinsic value after everybody knows all about it?

TRANSUE & WILLIAMS

To support our thesis, let us introduce our readers to Transue & Williams Steel Forgings Corporation, selling on the New York Stock Exchange at 28, and paying dividends of $3 per share. Our analysis of the recent balance-sheet (dated May 31st last) shows that of this $28 per share, over $18.50 is covered by cash and security holdings alone—leaving only $9.50 as the market valuation of the remaining assets. But the company holds $6 per share more in other net current assets (after deducting all liabilites). Hence, the price of $28 is really equivalent to only $3½ per share or $350,000 in all, for the company's plant and going value.

When it is considered that the plant turned out last year products sold for $6,247,000, and that it showed a net operating profit of $506,000 before depreciation, this $350,000 market valuation appears ridiculously low. The company itself carries its fixed assets at the depreciated amount of $1,259,000, or $12.59 per share, which is only $63,000 more than the book value in November, 1916, and is apparently a very conservative figure.

The company has paid dividends regularly since organization, the lowest rate being $2 per share, paid in 1922. Incidentally, the present price of $28 is the lowest on record (except for 300 shares sold earlier this year) and compares with a high of 74⅞ in 1919, and of 40 last year. Surely the record, position, and dividend rate offered by Transue & Williams is more than satisfactory. Yet it is one of the inactive Stock Exchange issues—and necessarily so, since the purchase of a few thousand shares would probably put it back to 40, after which it would no longer be the outstanding bargain it is to-day.

CREX CARPET

Another inconspicuous Stock Exchange issue, of the same general type, is Crex Carpet, makers of a well-known product. Compared with Transue & Williams, Crex has a more irregular dividend and earnings record, but its balance-sheet position is even stronger. As against the current selling price of 29, the last report shows $17 per share in cash and securities, together with $23 more in other current assets, after subtracting the mere $45,000 of current liabilities. Add to this the fixed properties, carried at $2,213,000, and the book value of 30,000 shares of capital stock works out at $113 per share.

With this wealth of assets behind the issue, and the absence of prior liabilities, the bargain-hunter can afford to overlook the current lack of dividends and the peculiar fluctuations in the reported earnings. In the June 30, 1923 year, the profits equalled $3.25 per share. In the 1921 and 1922 period the company about broke even, but in 1920 the earnings reached $14.57 per share. The erratic dividend record includes $6

Crex Carpet

Capitalization: 30,000 shares selling at 29. Total market value $870,000. No bonds or preferred stock.

Balance Sheet, June 30, 1923.

		Amount	Per Share
Cash Assets		$509,000	$16.97
Other current Assets	$733,000		
Less All Liabilities	45,000		
		688,000	22.93
Fixed and Other Assets		2,213,000	73.77
		$3,410,000	$113,67

Net Profits, 1923	$98,038	
Per Share		3.27

Cumberland Pipe Line

Capitalization: 30,000 shares, selling at 128. Total market value $3,840,000. No bonds or preferred stock.

Balance Sheet, Dec. 31, 1923.

		Amount	Per Share
Cash Assets		$2,517,000	$83.90
Other Current Assets	$153,000		
Less All Liabilities	24,000		
		129,000	4.30
Fixed Assets	4,639,000		
Less Depreciation	2,162,000		
		2,477,000	82.56
		$5,123,000	$170.76

		Per Share
Earned 1923	$1,022,000	$34.07
Less Depreciation	236,000	7.86
Balance for Dividends	$786,000	$26.21

Southern Pipe Line

Capitalization: 100.000 shares selling at 95. Total market value $9,500,000. No bonds or preferred stock. Balance sheet Dec. 31, 1923.

		Amount	Per Share			Per Share
Cash Assets		$7.873.000	$78.73	Earned 1923.....	$718,000	$7.18
Other Current Assets	$207,000			Less Depreciation	170.000	1.70
Less All Liabilities...	1,000					
		206,000	2.06		$548,000	$5.48
Fixed Assets	$5,971,000					
Less Depreciation....	2,333,000					
		3,638,000	36.38			
		$11,717,000	$117.17			

payments in 1911 to 1912 and 1913, and again in 1918, 1919 and 1920.

The company has large facilities and a popular reputation; one would imagine that with proper operating policies it should not be difficult to show a constant and substantial earning power on the small capitalization. Certain needed changes in management have apparently been initiated, and it does not seem possible that we shall indefinitely see the assets of this going concern priced in the market at far below their liquidating value.

PIPE LINE STOCKS

There is one entire family of stocks and an aristocratic family at that, which is characterized throughout by an exceptional wealth of cash assets. These are the Pipe Line issues, erstwhile Standard Oil subsidiaries. In addition to their financial strength, they present numerous other attractive features. They combine the prestige of Standard Oil affiliation with a generous dividend return.

Engaged in a presumably stable transportation business, they have besides no labor problems, no fixed charges, and no need of capital expenditures. From the theoretical standpoint, therefore, the Pipe Lines would seem to combine all the requisites of an ideal stock investment. However, recent developments seem to be weakening the strategic position hitherto enjoyed by these oil carriers, for there is danger of diversion of business by their chief customers to other transportation agencies. This angle of the situation was the subject of an illuminating discussion in the May 24th issue of the Magazine of Wall Street.

One of this group, however, stands out as unaffacted by the conditions which had recently been reducing the earnings of the others. This is the Cumberland Pipe Line, which as exclusive gatherer of crude from the long-lived Kentucky wells, has no need to fear loss of business to water-carriers or competing pipe lines. Its strongly entrenched position is demonstrated by the fact that its 1923 profits actually exceeded the excellent showing of 1922, the figures being $26.21 and $24.12 per share, respectively. At the present price of 128, the $12 dividend supplies a yield of over 9%.

That this company amply deserves a place in our collection of Cash Asset Stocks is clear from the appended balance-sheet analysis, which shows holdings of no less than $83.90 per share in cash and its equivalent. Adding in the fixed properties, which are conservatively valued and liberally depreciated, the total assets work out at $171 per share. It is significant that liabilities of all sorts total only $24,000 (8 cents per share). There is indeed an "oil purchase and sale contingent reserve" of $868,000, but investigation shows this to be really part of the surplus account. Cumberland Pipe Line combines all the attractive features of this Standard Oil Group, and is apparently immune from the threatening adverse influences. **With its splendid exhibit of assets, earnings and dividends, it can hardly fail to prove a profitable investment.**

SOUTHERN PIPE LINE

From the standpoint of cash assets alone, the showing of Southern Pipe Line is even more striking. Our analysis indicates that of the present price of 95, no less than $78 per share (or over 80%) is covered by cash and marketable investments. The commitment in the fixed assets is thus marked down to only $15 per share, which seems low enough to discount almost any possible future loss of earnings. The fact is, however, that although the 1923 profits were but $5.48 per share, traffic has increased so far this year and the $8 dividend is probably being earned.

CRESCENT PIPE LINE

In this connection, mention must certainly be made of Crescent Pipe Line, which reports net cash assets of $15.85 per share, as against current sales at 13. Here we have a 100% plus Cash Asset Stock. But while most attractive from this single standpoint, Crescent is weakest of all the Pipe Line companies in other respects. As a small connecting line, it seems in danger of losing its business entirely due to changing conditions. Its earnings last year were only 73 cents per share, and it recently broke the long tradition of Standard Oil stocks by passing its dividend.

Crescent Pipe Line furnishes a good illustration of certain qualifying considerations which should be borne in mind in connection with cash asset issues. It is a very fine thing to be able to buy a certificate representing $1 cash in the bank for 90 cents—but your profit on the deal is strictly limited to 10 cents. And if a long interval must elapse before the $1 is paid over, you may find your profit a very small one, considering the time involved.

For a real "killing," you must pick out just the opposite kind of a proposition—an enterprise with little surplus cash, because its funds are all in its business, and with large liabilities, i. e., using other people's money to increase the earning power of yours. It is this sort of pyramiding (well exemplified by many Public Utility common stocks), which, *when successful,* will increase the value of the junior shares, not by 10%, but by 1,000% and more. But if not successful—a Receiver quickly appears, and the common stock disappears.

Cash assets then are a great source of strength, but a moderate source of profits. They will appeal strongly to the investor, but their speculative possiblities are limited. For this reason, if a stock represents $16 in cash and **little else,** the writer would not call it an outstanding bargain at 13. In the case of the stocks especially recommended above, the strong cash asset position is reinforced by other attractive features. With Tonopah Mining and Crex Carpet, the emphasis is laid on the large excess of total assets over market value. On the other hand, Cumberland Pipe Line and Transue & Williams combine substantial earning power, and dividend returns with their wealth of cash holdings.

PENNOK OIL

This point is well exemplified also by

Pennok Oil

Capitalization: 375,000 shares, selling at 15½.* Total market value $5,813,000. No bonds or preferred stock. Balance sheet March 31, 1924.

		Amount	Per Share	Income Account	1923	1st Qu'ter 1924
Cash Assets		$3,031,000	$8.08	Gross	$3,874,000	$558,000
Other Current Assets.	$264,000			Net	3,396,000	464,000
Less All Liabilities...	157,000	107,000	.28	Reserves and Write Offs..	1,398,000	152,000
Fixed Assets	5,425,000			Balance for Dividends .	1,998,000	312,000
Less Depreciation, etc.	2,670,000	2,755,000	7.35	Per Share....	5.28	.83
				Annual Rate..	5.28	3.32
		$5,893,000	$15.68			

* Before allowing for 20% stock dividend payable July 25. Regular cash dividend is $1 per annum.

Pennok Oil, which has recently been coming into deserved prominence on the New York Curb. The jaded analyst, accustomed to the recurring financial problems of the minor oil companies, is agreeably surprised to note in Pennok's March 31st balance-sheet the outstanding item: "Cash, collateral loss, tax-exempt securities: $3,030,644.93"—against which liabilities of every sort are covered by the single entry, "Accounts payable: $157,003.66."

Here we have, as our table shows, cash holdings aggregating $8.08 per share and covering more than half of the current market price of 15⅛. This is an imposing nest-egg, with good possibilities, but at present it supplies only a small part of the company's income. Its operating properties are responsible for practically all the excellent earnings of the last year and a half.

In 1923, the profits per share were $5.28. This despite the collapse in the oil price, and after depletion and other charges aggregating over 25% of the entire property account. These phenomenal results were due to a special cause—the development of large flush production in the Tonkawa field. Yet in the first quarter of 1924, with its output stable, earnings were at the rate of nearly $5 per share before reserves, and $3.32 after such deductions. More important still, the company has recently brought in a deep sand-well, which has more than doubled its total production and probably tripled the current profits.

This flush output will not last, of course, but other wells will be drilled to the same sand and the outlook from the producing end is now immeasurably improved. General over-production with possibilities of price-cuts, pro-ratings or shut-downs may cloud the immediate horizon; but the fact remains that Pennok Oil has to-day not only the most cash on hand, but also **the largest current earnings in comparison with its selling price, of all the petroleum stocks known to the inquiring statistician.**

SHATTUCK-ARIZONA

Coming back to the New York Stock Exchange, brief attention may be paid to Shattuck-Arizona Copper, a modest issue selling at only $5 per share, but not without its peculiar merits. Here again the analysis shows cash and Liberty Bonds covering more than one-half of the market price, while the other current assets, net, supply practically all the remainder. Hence, the market refuses to give any value to the mining properties, which are carried by the company at $17 per share after substantial deductions for depletion and depreciation.

The market price of zero for the Shattuck mines and equipment appears unduly conservative when it is considered that these properties have not only shown very large profits under favorable conditions, but are actually bringing in a net cash income in the present depressed metal market. In fact, the net operating cost of its copper production was only 7.95 cents per pound in the first quarter of 1924. It should be mentioned that the company now produces more lead than copper, and that while the life of its copper reserves is uncertain, it undoubtedly possesses a large tonnage of lead-ores. **In every past rise in the metal shares this issue has crossed 10—and the prospects are good for a similar advance in the next favorable market.**

Shattuck-Arizona Copper

Capitalization: 249,390 shares selling at 10½. Total market value $2,618,595. No bonds preferred stock. Balance Sheet Dec. 31, 1923.

		Amount	Per Share
Cash Assets		$1,008,000	$2.88
Other Current Assets.	$648,000		
Less All Liabilities...	69,000		
		579,000	1.65
Fixed Assets	9,056,000		
Less Reserves	3,097,000		
		5,959,000	17.02
		$7,546,000	$21.55

Income Account, 1923	
Operating Revenues......	$847,000
Operating Profit.........	222,000
Income from Investments	38,000
Total Income............	260,000
Depreciation, Depletion and Development.......	262,000
Loss After Reserves......	2,000

Earned 1923 before reserves, 70c per share
Earned 1st quarter 1924 before reserves at annual rate of 85c per share

WRIGHT AERONAUTICAL

No enumeration of Cash Asset Stocks would be complete without including Wright Aeronautical. This enterprise is selling in the market at $2,700,000, while its treasury holds more than $4,000,000 in cash and investments. In other words, there are $16.25 of cash assets applicable to each share now selling at 10½.

The fly in the ointment is the threatened Government suit for the recovery of some $4,700,000, alleged to have been overpaid the predecessor company. The Government's chief contention seems to be that certain provisions of the war contracts, although undeniably agreed to by the War Department, were contrary to public policy, and therefore ineffective.

Wright Aeronautical

Capitalization: 249,390 shares selling at 10½. Total market value $2,618,595. No bonds or preferred stock. Balance sheet Dec. 31, 1923.

		Amount	Share Per
Cash Assets		$4,049,000	$16.25
Other Current Assets	$1,024,000		
Less All Liabilities..	143,000		
		881,000	3.54
Due from U. S. G'v't		1,181,000	4.75
Plant, etc.		669,000	2.68
		$6,780,000	$27,22

Income Account, 1923	
Operating Revenue...	$2,227,000
Operating Income....	238,000
Investment Income...	186,000
Total for Dividends..	424,000
Per Share	1.70

Earnings 1st quarter, 1924, were at the annual rate of $1 per share.

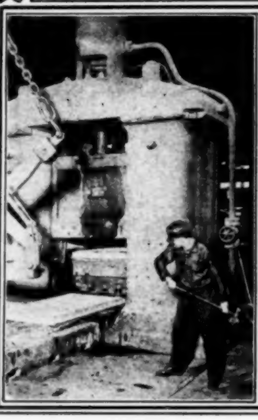
Of this pending litigation it may be said that the company itself, its special counsel, and, more significantly its Certified Public Accountants, are positive that the case of the United States is without merit. And it is also noteworthy that, although two and a half years have elapsed since the Attorney-General advertised his intention of bringing these proceedings, no legal action has as yet been taken. The Government is furthermore admittedly liable to the company for $1,181,000 for certified claims, which money is being withheld pending the outcome of the suit, and will be applicable against any judgment which might be rendered against Wright Aeronautical.

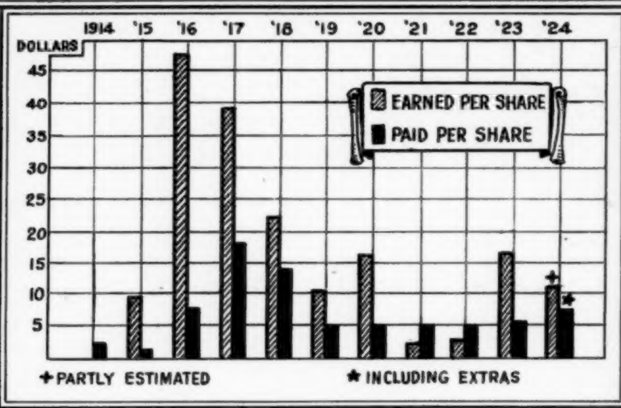
In the meantime, the company's balance-sheet position is certainly extraordinary. The current assets (including the amount due from the U. S. Army) are nearly $25 per share, and fixed assets are carried at only $2.68 per share. These moderately valued operating properties have each year yielded net profits of over $1 per share after liberal depreciation. Investment income brought the total profits last year to $1.70 per share, amply covering the $1 dividend which has regularly been paid since August, 1921.

Even a brief summary of Wright Aeronautical's position must not omit reference to the company's prominent place in an industry with a limitless future, nor should tribute be withheld from its shrewd and conservative policy, which has closely guarded the large cash reserves and refrained from expensive pioneering. Hence it stands prepared either to expand its business substantially whenever commercial aviation is placed on a profitable basis, or to liquidate without sacrifice if its present source of earnings—U. S. Government orders—should be lost.

It is the writer's considered view that, should the government suit prove unsuccessful, Wright Aero will be worth at least $30 per share. In this litigation it would appear that the odds strongly favor the company; and it is difficult to imagine any outcome, however unfavorable, which should reduce the value of this stock below its present market price.

TEN-YEAR DIVIDEND RECORD OF U.S. STEEL





United States Steel
Bethlehem Steel

Gulf States Steel
Sloss Sheffield

Republic Iron & Steel
Youngstown Sheet & Tube

Are Steel Stocks in a Buying Zone?

A Comparison of Steel Common Stocks—Which Are the Best?

THE past three months has witnessed one of the most drastic slumps in the history of the steel industry. At the beginning of April, United States Steel Corporation was operating at 93% capacity and independents at approximately 80%, whereas in June operations declined to 54% for the big corporation and 46% for the independents. At the end of February, unfilled tonnage of United States Steel Corporation stood at 4.9 million tons but at the close of May was only 3.6 million tons, the latter figure representing the smallest amount of unfilled tonnage on the books of the corporation in nearly ten years.

While these figures make a very gloomy picture, there are several factors which indicate considerable improvement in the latter half of the year and that the steel industry is probably now scraping bottom. In the first place, stocks of steel products in the hands of consumers are low. This situation has been brought about by the cautious attitude adopted by buyers for several months and by the great improvement in the past few years in regard to the promptness of deliveries. As it is no longer necessary for consumers to order their requirements as far ahead as formerly, hand-to-mouth buying has become more prevalent. The speeding up of deliveries has been due to the increased capacity of the steel industry, enabling companies to accept business for early delivery, and the greater efficiency of the railroads eliminating delay.

Business confidence which was shaken by the oil investigations and other political disturbances at Washington now appears in process of gradual restoration. Should the political outlook continue favorable for business interests, as now appears to be the case, a substantial buying movement in steel products may be expected to get under way in the early Fall.

The price of steel products has paralleled the drop in production to a very close degree. Figures given by the *Iron Trade Review*, based on an average composit of fourteen leading iron and steel products, shows a decline in price from $43.13 on March 26, 1924, to $40.06 at the end of June. It is obvious that with a steady decrease in production accompanied by a decline in prices, steel concerns are rapidly cutting down their margin of profit, and second-quarter earnings when published will show a sharp decline as compared with the first quarter.

In connection with the second quarter's earnings, however, the fact must be borne in mind that the steel companies ship at a better rate than production indicates since there is always a lag between production and shipments and there are usually some ingots and billets in stock to be rolled into finished material. The full effects of the slump, therefore, will not be entirely reflected in the second quarter and some companies will be able to show modest profits.

From present indications, the steel companies may be expected to operate at a capacity ranging around 60% or perhaps slightly more for the third quarter. Such a production is not conducive to high earnings, and the third quarter figures are not likely to be very satisfactory. However, should the anticipated improvement in business sentiment materialize in autumn, earnings of the steel companies for the fourth quarter of the year may be very satisfactory.

In view of the substantial decline that has occurred in the steel issues over the past several months and the outlook for better conditions before the end of the year, a constructive attitude on many of these stocks now appears warranted. Careful discrimination is necessary, however, for in the case of some companies the improvement may not come in time to enable them to maintain present dividend rates. The following is limited to an analysis of the position of the leading manufacturers of heavy steel products and pig iron.

UNITED STATES STEEL

The Steel Corporation has the decided advantage in dull times over competitors of holding a good percentage of its business because of its policy of maintaining reasonable price scales when steel demand is heavy. This policy naturally increases the good will of its customers, many of whom prefer to do their business with

U. S. Steel even when conditions are such that by shopping around somewhat lower prices could be obtained.

Shipments of United States Steel Corporation were at the rate of 80% in April, 71% in May and about 56% in June. The independents for the same period can be estimated from 7 to 12% less. Based on such a rate of shipments, the Steel Corporation should be able to earn sufficient in the second quarter to cover the present rate of dividend payment, including the 50 cents extra. This estimate is based on the assumption that no large amount will be converted to plant improvement in this quarter.

As United States Steel earned $5.04 a share for the common stock in the first quarter, earnings for the first six months should come very close to covering a full year's dividend requirements at the present rate of 7%. Financial condition is so strong, with over 200 million dollars cash assets, that the company is now in a position to maintain liberal dividends through both good and bad times.

United States Steel common can properly be regarded as a 7% stock. While there is a possibility that extra dividends might be temporarily suspended should there be a protracted period of depression, the corporation under favorable conditions is in a position to pay still larger extras and the investor who purchases the stock for a long pull can feel very confident that over a period of years, his average return will be at least 7% and probably more.

Under present easy money conditions, a 7% stock, with the investment standing of United States Steel common, is entitled to sell at materially higher prices than par, where the stock is now quoted.

REPUBLIC IRON & STEEL

While no dividends have been paid on Republic Iron & Steel common stock since May, 1921, this issue is one of the most attractive of the steel group. The company is favored by cheap costs, excellent location and special products for which there is a fair demand, even under present conditions.

Although the second quarter's earnings will naturally be considerably below the first quarter, when $3.65 a share was earned on the common, the company is in a comparatively strong earnings position and a fairly good report is to be anticipated. Through a conservative dividend policy and recent sale of 9.7 millions bonds, Republic has placed itself in sound financial condition and the least encouragement in the outlook for the steel industry should warrant consideration of common dividends. **The stock is now selling at around 48 where it represents a fairly attractive speculation.**

GULF STATES STEEL

Gulf States Steel plants are located at Alabama City, Ala. With its raw materials close at hand and good labor conditions, the company is in a position to produce its products at relatively low cost, and this has been largely instrumental in bringing about the success the company has enjoyed in the last several years. When the fact is considered that at the beginning of the war the Gulf States properties were regarded as little better than a junk pile, it is evident that the present management is efficient and entitled to considerable confidence.

Gulf States is one of the few steel companies that is free of the burden of funded debt, and this, together with its low cost of operations, enables it to do reasonably well when conditions are not favorable in the steel industry. In 1922, for example, when most steel companies made a very indifferent showing, Gulf States was able to show over $7 a share earned on the common stock.

With earnings of $2.86 per share on the common for the first quarter of 1924, Gulf States should be able to comfortably cover its $5 dividend this year and, as financial condition is satisfactory, the dividend does not appear to be in any danger. **With prospects of larger dividend payments under more favorable conditions, Gulf States Steel at present levels of 70 has interesting speculative possibilities.**

SLOSS SHEFFIELD STEEL & IRON

Although classed with the steel group, Sloss Sheffield manufactures only iron. It is a very low cost producer and is able to report profits under conditions when few pig-iron manufacturers are making money.

The iron market for the past ten months has been unsatisfactory. Pig iron (Birmingham) declined from $27 a ton in April, 1923, to $21 in December and is now quoted at $22. Despite these low prices, Sloss Sheffield has been able to make money and for the first quarter of 1924 earned $2.63 a share on the common. In 1923, $20.22 a share was earned and, as no common dividends were paid in this year, the company's financial position was greatly improved and all bank loans cleared up. **The present dividend rate of $6 a share on the common stock is apparently in no immediate danger of being reduced and at present levels of around 60 the stock is one of the most attractive in the steel group.**

BETHLEHEM STEEL

Bethlehem Steel Company in the past few years has embarked on an extensive program of expansion. The Midvale and Lackawanna properties were taken over and its own plants enlarged and improved. These developments greatly increased the

Comparison of Six Leading Steel Stocks

COMMON STOCKS

	Dollars Earned Per Share 1923	1st Quarter 1924	*Ratio	Price Range 1923 High	1923 Low	1924 High	1924 Low	Div.	Recent Price	Yield
U. S. Steel	16.43	5.03	4⅓ to 1	109⅝	85½	109	94¼	†7	100	7.0%
Republican Iron & Steel	15.00	3.06	6½ to 1	66¾	40⅛	61⅞	42	—	48	—
Gulf States Steel	12.78	2.86	8½ to 1	104⅝	65¼	89¼	62	5	71	7.0
Sloss Sheffield	20.22	2.63	5 to 1	63¼	39¼	67¾	52	6	60	10.0
Youngstown Sheet & T.	14.93	3.55	5 to 1	80	62	70¼	62	5	65	7.7
Bethlehem Steel	5.58	1.91	3¾ to 1	71⅞	41¾	62⅛	45	5	47	10.6

*Ratio of current assets to current liabilities Dec. 31, 1923.

†Including extras of 50c. quarterly.

capitalization of the company which now consists of 230 million dollars funded debt, 60 millions preferred stock and 100 millions common. Many millions are being expended in improving the Lackawanna and Midvale plants in order to further diversify the output and bring down costs. Naturally these improvements cannot at once be reflected in earnings and up to the present time returns of the company have not kept pace with the increase in capitalization. In 1923, only $5.57 a share was earned on the common stock and in the first quarter of 1924, $1.91 a share. With much less favorable conditions prevailing since the end of the first quarter, it is not likely that the common dividend is now being earned.

As Bethlehem Steel has good use for its surplus funds in completing the coordination of its various properties, it is questionable whether the management will continue dividends on the common stock under present conditions as the expected improvement in the steel industry may not take place soon enough to save the dividend. **While the affairs of this company are in expert hands and the stock has good long-pull possibilities other issues offer a better immediate opportunity.**

YOUNGSTOWN STEEL & TUBE

Youngstown Sheet & Tube Company in 1923 took over the properties of the Brier Hill Steel Company and the Steel & Tube Company of America. In order to finance these purchases 40 million dollars bonds were issued. Prior to the merger Youngstown Sheet & Tube had practically no funded debt. Next to United States Steel Corporation, this company is the greatest maker of steel pipe in America. It is a large producer of sheets and also has a large capacity for wire, nails, merchant steel bars, steel plates as well as pig iron for its own use and the merchant market, semi-finished steel and other products. For the year ended December 31, 1923, net income including operations of the Steel & Tube Company of America and Brier Hill Steel Company were equivalent to $14.93 on the 987,606 shares of no par value common stock. Earnings for the first quarter of 1924 were equivalent to $3.55 a share.

While the company is not earning its $5 dividend under present conditions the large earnings piled up in 1923, together with the substantial earnings in the first quarter, should justify a continuance of the dividend until conditions improve in the industry, especially as the company is in sound financial condition. Youngstown Sheet & Tube is a very well rounded organization and has proved to be one of the fastest growing steel companies over the past ten years. The common stock is, as a rule, inactive and for some months has been fluctuating in a small price range. It is now selling at 65. **For the long-pull holder, the stock is worthy of consideration as Youngstown is a growing and well-managed concern.**

Preferred Stocks

In a great measure, advances in preferred stocks during the past two weeks, were confined to railroad and public utility issues. Industrial preferred shares were firm, with advances of a point or so here and there, but the gains were more consistent in the two divisions mentioned. St. Louis Southwestern preferred was up six points, followed closely by the Colorado & Southern preferred shares, with advances of over four. Pittsburg & West Virginia and Chesapeake & Ohio preferred were also consistently strong and showed satisfactory gains in the market.

In the public utility field, the outstanding feature continued to be the American Water Works & Electric shares, especially the 6% participating preferred, which sold at 94 and remained persistently around the top. North American preferred reached a new high of 49 and remained there.

While, of course, the very considerable advances predicted in this column and realized during the past few weeks, have narrowed the field of possibilities for profits in addition to yield, there are still a number of opportunities in the list given below.

PREFERRED STOCK GUIDE
(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

Sound Investments

INDUSTRIALS:	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
American Ice Company ....(n.c.)...	6	80	7.5	2.2
United States Realty & Improvem't Co. (c.)...	7	102	6.9	2.7
General Motors Corp. deb..............(c.)...	7	95	7.3	(y) 5.1
American Woolen Co. ....(c.)...	7	100	7.0	2.5
Cluett-Peabody & Co....................(c.)...	7	101½	6.9	4.7
Loose-Wiles Biscuit Co. 1st.............(c.)...	7	105	6.6	3.2
American Can Co. ....(c.)...	7	115	6.1	2.5
Allied Chemical & Dye Corp............(c.)...	7	115½	6.1	(x) 4.5
Baldwin Locomotive Works............(c.)...	7	115¼	6.1	4.4
Endicott-Johnson Corp. ....(c.)...	7	106½	6.6	4.6
Sears-Roebuck & Co....................(c.)...	7	115	6.1	12.8
PUBLIC UTILITIES:				
North American Co......................(c.)...	3	49	6.1	(w) 6.9
Philadelphia Company..................(c.)...	3	45	6.7	5.6
RAILROADS:				
New York, Chicago & St. Louis........(c.)...	6	87	6.9	(x) 2.5
Chesapeake & Ohio conv...............(c.)...	6.50	106	6.1	4.9

Middle-Grade Investments

INDUSTRIALS:	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Mack Trucks, Inc., 1st.................(c.)...	7	98	7.1	(y) 2.8
Bush Terminal Buildings Co...........(c.)...	7	95¼	7.3	1.1
Coca-Cola Co. ....(c.)...	7	93	7.5	(x) 5.1
American Sugar Refining Co...........(c.)...	7	88	7.9	2.4
Brown Shoe Co..........................(c.)...	7	84	8.3	2.2
Bethlehem Steel Corp. conv............(c.)...	8	103	7.7	3.8
Cuban-American Sugar Co.............(c.)...	7	96	7.3	6.4
California Petroleum partic. pfd........(c.)...	7	96¾	7.2	1.3
J. Kayser & Co..........................(c.)...	8	88	9.1	2.0
American Smelting & Ref. Co..........(c.)...	7	100½	7.0	1.7
American Steel Foundries..............(c.)...	7	103	6.7	5.0
Gimbel Brothers, Inc. ....(c.)...	7	102	6.9	3.3
U. S. Industrial Alcohol Co.............(c.)...	7	102	6.9	6.4
Armour & Co., of Del...................(c.)...	7	85½	8.2	(z) 2.9
Allis-Chalmers Mfg. Co.................(c.)...	7	95½	7.3	2.8
Associated Dry Goods Co. 1st..........(c.)...	6	86	7.0	3.0
Genl. American Tank Car Co...........(c.)...	7	93	7.5	5.4
Natl. Cloak & Suit Co...................(c.)...	7	93	7.5	...
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	96	7.3	(x) 2.2
Metropolitan Edison ....(c.)...	7	93	7.5	...
Public Service of N. J...................(c.)...	8	104	7.7	(y) 3.4
RAILROADS:				
Baltimore & Ohio......................(n.c.)...	4	59½	6.7	...
Bangor & Aroostook.....................(c.)...	7	90½	7.7	2.5
Colorado & Southern 1st pfd..........(n.c.)...	4	59	6.7	6.2
Pittsburgh & W. Va......................(c.)...	6	98	6.1	2.0

Semi-Speculative Investments

INDUSTRIALS:	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Famous Players-Lasky Corp...........(c.)...	8	[illegible]	8.2	(y) 5.7
Pure Oil Co. conv. pfd..................(c.)...	8	95	8.4	2.5
American Beet Sugar Co.............(n.c.)...	6	74½	8.0	1.3
National Department Stores...........(c.)...	7	93½	7.5	4.0
Fisher Body Corp. of Ohio.............(c.)...	8	100	8.0	...
Austin, Nichols & Co..	7	82½	8.5	(w) 1.5
Worthington Pump & Mfg. "A".....(c.)...	7	77	9.1	2.0
Orpheum Circuit ....(c.)...	8	94½	8.4	(w) 2.5
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd.....(c.)...	6	93¾	6.4	(w) 1.8
RAILROADS:				
Pere Marquette ....(c.)...	5	65½	7.7	2.2
St. Louis Southwestern..............(n.c.)...	5	[illegible]	7.7	1.7
Kansas City Southern................(n.c.)...	4	53	7.5	1.5
Southern Railway ....(n.c.)...	5	74	6.7	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

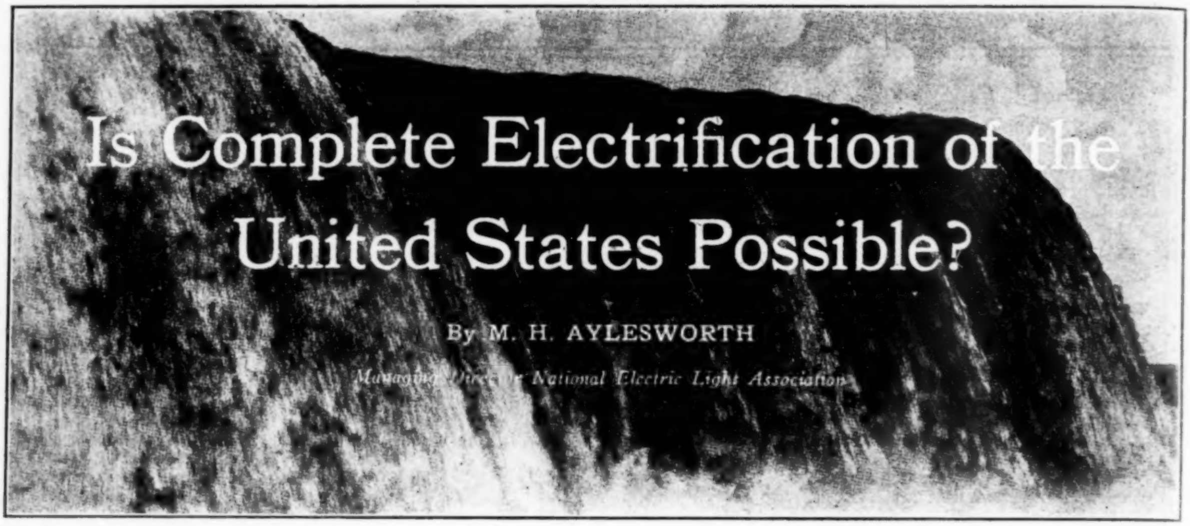
* Based on average earnings during past six years.
† Average number times earned last five years.

Investors' Indicator

Current Earnings—Dividends—Working Capital

	Dollars Earned Per Share 1922	1923	1st Quarter 1924	†Present Rate Div.	Recent Price	Yield on Recent Price (%)	Ratio of Current Assets to Current Liabilities	
Industrials—								
Allis-Chalmers	4.11	6.00	2.10	4	53	7.5	6 to 1	December 31, 1923
Ajax Rubber	0.06	def.	....	..	7	...	5 to 1	December 31, 1923
Air Reduction	5.23	12.31	2.43	4	78	5.1	10 to 1	December 31, 1923
Amer. Bosch Magneto	6.27	0.97	1.53	..	30	...	2¼ to 1	December 31, 1923
Amer. La France Fire Engine	1.90	1.75	0.39	1	11	9.1	6⅓ to 1	December 31, 1923
Amer. Druggists' Syndicate	0.63	0.27	....	..	4	...	15 to 1	December 31, 1923
Amer. Hide & Leather Pfd.	4.20	def.	1.60	..	58	...	3 to 1	December 31, 1923
Amer. Locomotive	l	21.25	....	6	76	7.9	8 to 1	December 31, 1923
Amer. Steel Foundries	4.30	9.70	1.04	3	36	8.3	6 to 1	December 31, 1923
Bethlehem Steel	1.14	5.57	1.91	5	47	10.7	3¾ to 1	December 31, 1923
Butterick	3.42	3.90	....	..	18	...	2 to 1	December 31, 1923
Central Leather	q	def.	def.	..	13	...	8½ to 1	December 31, 1923
Cluett-Peabody	12.01	14.15	....	5	65	7.7	3½ to 1	December 31, 1923
Coca Cola	11.14	7.65	1.49	7	73	9.6	2½ to 1	December 31, 1923
Colorado Fuel & Iron	def.	1.67	1.57	..	48	...	3½ to 1	December 31, 1923
Corn Products	17.43	17.54	k1.11	2	33	6.0	9 to 1	December 31, 1923
du Pont de Nemours	k5.62	13.93	....	8	127	6.3	9 to 1	December 31, 1923
Endicott-Johnson	13.77	7.95	....	5	62	8.0	2½ to 1	December 31, 1923
Famous Players	14.72	14.98	3.10	8	80	10.0	2¾ to 1	December 31, 1923
General Motors	2.19	2.66	0.85	1.20	14	8.6	3 to 1	December 31, 1923
Goodrich	0.73	0.80	....	..	20	...	3¾ to 1	December 31, 1923
Gulf States Steel	7.26	12.78	2.86	5	71	7.0	8½ to 1	December 31, 1923
Hayes Wheel	6.50	6.60	2.38	3	35	8.6	3 to 1	December 31, 1923
Hudson Motor	6.03	6.66	0.90	c3	25	12.0	3½ to 1	November 30, 1923
Lee Rubber & Tire	2.47	def.	def.	..	9	...	2 to 1	December 31, 1923
Mack Truck	9.94	20.71	4.04	6	90	6.7	10 to 1	December 31, 1923
Otis Elevator	k7.64	k9.11	k2.20	4	67	6.0	6½ to 1	December 31, 1923
Owens Bottle	4.41	4.47	0.98	3	44	6.8	8 to 1	December 31, 1923
Pierce Arrow pfd	0.10	2.78	0.47	..	29	...	3½ to 1	December 31, 1923
Remington Typewriter	2.77	8.39	2.85	..	40	...	7 to 1	December 31, 1923
Republic Iron & Steel	j	15.00	3.06	..	47	...	6½ to 1	December 31, 1923
Sloss-Sheffield	1.09	20.22	2.63	6	60	10.0	5 to 1	December 31, 1923
Spicer Manufacturing	0.88	2.66	1.01	..	10	...	2½ to 1	December 31, 1923
Stewart-Warner	11.23	14.16	3.15	10	65	15.4	4¾ to 1	December 31, 1923
Stromberg Carburetor	8.05	11.62	2.72	8	65	12.3	6 to 1	December 31, 1923
Studebaker	k9.30	k9.22	k1.90	4	38	10.6	5½ to 1	December 31, 1923
Timken Roller Bearing	6.43	6.74	1.52	h3	35	8.6	7 to 1	December 31, 1923
United Drug	5.80	8.46	....	6	80	7.5	7½ to 1	December 31, 1923
U. S. Rubber	2.68	2.28	....	..	28	...	2½ to 1	December 31, 1923
U. S. Steel	2.85	16.43	5.03	d5	100	5.0	4⅓ to 1	December 31, 1923
Vanadium	0.79	1.84	....	..	22	...	Net current assets $4,482,000	
Willys-Overland	def.	5.32	0.80	..	8	...	5⅓ to 1	December 31, 1923
Youngstown Sheet & Tube	....	14.93	....	5	64	7.8	5 to 1	December 31, 1923
Oils—								
California Petroleum	‡k4.18	‡k5.09	‡k0.98	1.75	23	7.6	2¼ to 1	December 31, 1923
Cosden & Co.	‡4.25	def.	*3.20	..	28	...	1¼ to 1	December 31, 1923
Houston Oil	‡2.75	‡3.96	‡3.12	..	70	...	4 to 1	December 31, 1923
Marland Oil	‡4.44	‡1.52	‡1.86	..	31	...	1¾ to 1	December 31, 1923
Pacific Oil	‡3.37	‡2.55	‡0.83	2	49	4.1	2 to 1	December 31, 1923
Pan-American B.	‡11.75	‡8.09	.... ..	4	50	8.0	2½ to 1	December 31, 1923
Phillips Petroleum	*7.80	‡3.92	.... ..	2	35	5.7	1½ to 1	December 31, 1923
Pure Oil	s	s	....	1.50	20	7.5	2¼ to 1	March 31, 1923
Sinclair Consolidated	‡3.24	def.	....	2	18	1.1	2½ to 1	December 31, 1923
Mining—								
American Smelting	‡3.28	8.84	2.50	5	67	7.5	5 to 1	December 31, 1923
American Zinc pfd.	0.22	‡def.	*0.62	..	27	...	3¾ to 1	December 31, 1923
Chino	def.	0.21	....	..	18	...	2½ to 1	December 31, 1923
International Nickel	p	....	....	..	17	...	12 to 1	March 31, 1924
Nevada Consolidated	def.	1.05	*0.20	..	13	...	8 to 1	December 31, 1923
Ray Consolidated	def.	0.65	....	..	11	...	6 to 1	December 31, 1923
Utah Copper	1.03	7.09	*1.31	4	70	5.7	5 to 1	December 31, 1923

* Before depreciation and depletion.
† Dividend rate covers regular dividends on yearly basis.
‡ After deducting depletion and depreciation.
§ Year ended March 31.
a After deducting depreciation and revaluation of inventory.
c 10% stock dividend paid April 15.
d Extra dividend of 50 cents paid in June.
h 25c extra paid June 5.
j Earned $1.67 on preferred in 1922.
k On increased stock.
l Earned $4.40 on preferred.
p For year ended March 31, 1924, earned 40c a share on common.
q Earned $4.58 a share on preferred.
s Year ended March 31, 1924, earned $3.21 a share, compared with $1.37 a share previous year.



Is Complete Electrification of the United States Possible?

By M. H. AYLESWORTH

Managing Director National Electric Light Association

WHILE general business conditions apparently are not as satisfactory as they were a year ago, and while other industries are feeling the customary depressing effects of "a presidential year," the development of the electric light and power industry continues unabated.

The average annual growth of the electric light and power industry throughout its comparatively brief history of 42 years has been 20%. *In other words, the business has doubled consistently every five years.* Reports of production for the first five months indicate that at the close of the first six months of the calendar year the customary rate of increase will have been recorded, and reports on other phases of the industry show that the general average increase in number of customers and of the construction and enlargement programs are being maintained. Exactly what this means can be best realized when it is known that during 1923 the industry extended its service to more than 1,150,000 additional customers up to 13,356,000; that it added 2,890,000 kilowatt generating capacity, and that nearly $700,000,000 was expended for additional plant transmission and distribution equipment.

To care for the normal annual increase in demand for service it is estimated that a minimum of $750,000,000 will be expended during the current calendar year, projects already known to be under construction representing a total investment of more than $600,000,000. As the investment at the close of 1923 was $5,800,000,000, it is anticipated that the total investment in the electric light and power industry at the close of 1924 will be approximaely $6,500,000,000.

New Projects

During the last six months the largest hydro-electric turbines ever built have been placed in operation at Niagara Falls, carrying 83,000 horse-power on a single shaft, and the greatest steam turbine with 62,500 k.v.a. generating capacity from a single cylinder has been completed and placed in operation at the *Brooklyn Edison Company* plant in Brooklyn, New York. Larger and more efficient units are constantly being built and installed as demand increases, requiring large investments of money, and, therefore, increasing the value of the properties and in the same proportion increasing the amount of taxes paid into the federal, state, county and municipal treasuries of the country. In 1923, the average taxes paid by the electric light and power industry amounted to slightly more than 10% of the total gross income of the industry. As the total gross income in 1923 was approximately $1,100,000,000 the total amount of taxes paid by the industry represented in the neighborhood of $115,000,000.

At the recent Convention of the National Electric Light Association in Atlantic City the Customer Ownership Committee of the Association reported that more than $250,000,000 worth of securities of electric light and power companies were sold by the companies directly to the public and to their employees—some 200,000 individuals purchasing these securities. The Committee reported that this brings the total number of owners of the electric light and power industry up to the two-million mark.

The sale of securities to employees and customers is being carried on more energetically than ever this year, a number of companies which heretofore had not endeavored to dispose of their securities in this manner putting on this particular type of sales program. In addition, new issues of both senior and junior securities are being put out by companies throughout the country and being disposed of through the customary financial channels .

As the generating units increase in size and efficiency, and the transmission and distribution systems spread out from the centers of population, the practice of interconnection of the transmission lines of adjacent systems also is growing. This interconnection forms what is termed "superpower" zones or districts. The individual companies in most instances retain their individual entity, but by connecting their transmission systems they are able to exchange power and thus use their plant equipment at the highest point of efficiency. Higher transmission voltages have played a large part in this. So rapid has been the movement toward interconnection that already networks of high tension transmission lines spread over a large part of this country with resultant improvements in service and decreases in the cost of service to the consumer.

The quarterly bulletin of the Bureau of Statistics of the U. S. Department of Labor, giving the cost of living, sets forth the fact that there has been a steady decrease during the last few years and that electrical service at present is the one item in the family budget showing a decrease, when compared with the same item in 1914 prior to the World War. The figures given out by that Department indicate an average decrease in price to consumers of 8.6% as of March, 1924, compared with January 1, 1914, while the weighted average increase in the cost of living, as shown by the family budget, stands at 70.4%. This decrease has been brought about through the increased efficiency of operation and through interconnection.

Saving to Public

The actual saving to the public is even greater than the above statement would indicate. As an example: five times as much illumination is now enjoyed by the use of modern electric lights consuming the same amount of electrical energy as was possible ten years ago. The development of tungsten and gas-filled types of lamps has made this possible. In the same manner the electric motor has been perfected to a point where the so-called fly-weight motors commonly used in massage vibrators, electric fans, vacuum cleaners and other household appliances are from 80 to 85% efficient, and the larger synchronous motors used in manufacture and commerce are as high as 96 to 98% efficient. This improvement has been most marked during the last ten years, efficiency being nearly doubled during that time.

Returning to "superpower" for a moment, the extent of this plan of interconnecting individually owned systems

may be visualized by considering that a huge network of wires extending from below the California-Mexico line into Arizona, California, Washington and Oregon comprises the greater single "superpower" zone or system in the country up to the present time. In the South, great power systems serving five States are unified, with 900 miles of trunk line or interconnecting line. The States of Alabama, Georgia, North Carolina, South Carolina and Tennessee are interdependent upon this great system. Forty-two individual plants capable of developing more than a million horse-power are tied together, furnishing a great pool of power flowing freely between States regardless of State boundary lines.

In Idaho, Montana, Utah, Wisconsin, Michigan, Illinois, Ohio and, in fact, in many other States great systems are being linked together, or already have been interconnected, and ultimately these "super-power" systems, which are great in themselves, will be tied each with the other to the end that there may be the greatest possible assurance of continuity of service and the least possible duplication of generating plants, transmission lines and distribution systems.

In the mind of the average individual the development of water power means that eventually hydro-electric power will take the place of steam-generated electric power. *Few people realize that even the utilization of every ounce of water for the generation of hydro-electric power would not result in sufficient electrical energy to do away with any of the existing steam plants.* In fact, our industry must continue to build huge steam-turbine generators, while at the same time developing the water powers as rapidly as financing will permit and as demand for electrical energy justifies. In the densely populated industrial centres of the country, available water power is comparatively scarce, and these centres must depend upon steam generation, at least to a considerable extent.

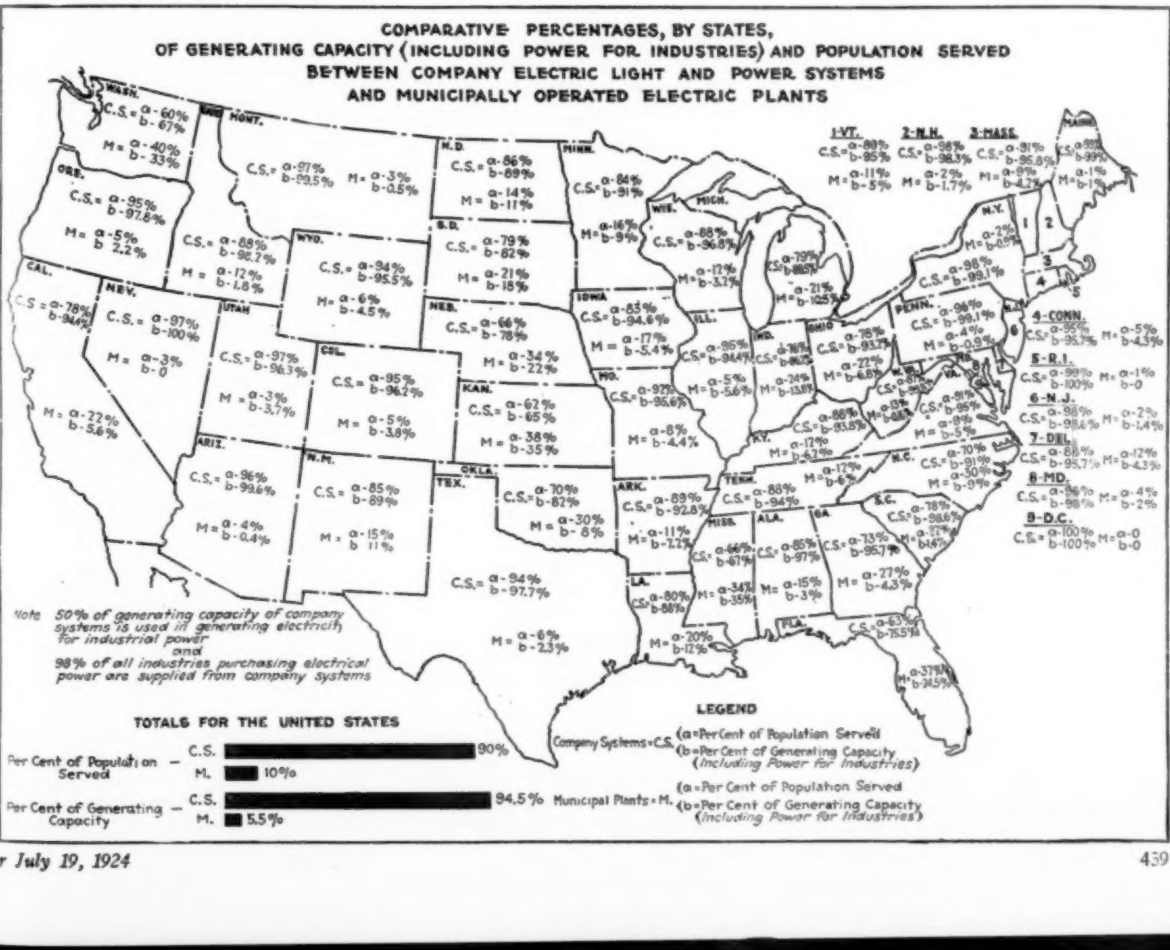
MORE than two million Americans directly own the securities of privately-owned electric light and power companies. Yields on bonds of these companies have decreased from 8¼% as of August, 1920, to about 6% as of the present. This indicates the growing confidence in this type of security. The electric light and power industry is developing on an enormous scale and its future is of the greatest importance to industry in general. For a good list of bonds and notes we refer our readers to our Unlisted Public Utility Bond Table on page 484.

Electrification of Railroads

Eventually the railroads of the country will be electrified. Efficiency and economy will make their electrification necessary. At present, the railroads have steam locomotives with a total motive power of 65,000,000 horse-power. All of the primary water powers of the country will develop only approximately 55,000,000 to 60,000,000 horse-power. Today there are 150,000 manufacturing plants in the United States which have their own power plants. In some instances these are electrical power plants, but in a vast majority of cases the power used is still the old-fashioned steam power transmitted from an engine to the machinery through the mediums of belts, shaftings and pulleys. Eventually all this will be changed and the individual electric motor, driven with energy obtained from electric light and power companies and the huge "super-power" pools, will supplant other forms of power in every instance. All of this means that power demand will continue for many years to come to equal, if not exceed, the rate of electric power development.

It is interesting to note that of the to-

(*Please turn to page* 494)



COMPARATIVE PERCENTAGES, BY STATES, OF GENERATING CAPACITY (INCLUDING POWER FOR INDUSTRIES) AND POPULATION SERVED BETWEEN COMPANY ELECTRIC LIGHT AND POWER SYSTEMS AND MUNICIPALLY OPERATED ELECTRIC PLANTS

Building Your Future Income

For Men and Women Who Look Ahead

Our Greatest Service Institution?

> ***This is the first of a series of Informative Editorials, intended to help Income Builders and our Financial Institutions get better acquainted with one another.***
>
> ***Later editorials will include the Insurance Company, the Building and Loan Association, the Savings Bank, etc.***
>
> ***During the progress of the series, BYFI will gladly answer any question to which it gives rise.***

IT is a fair question whether the modern Trust Company—or the national bank with a modern Trust Department—cannot justly be described as the greatest service institution in this country today.

It is doubtful whether, in scope of services rendered, importance of those services and extent to which patronized, any other institution can even remotely compare with this one. This has not always been so.

In the beginning, Trust Service was largely confined to a comparatively narrow field. Aside from the guardianship of escrowed funds, much of the Trust Company's activities had to do with carrying out the wishes of dead men. The institution was not over-widely patronized by the living.

Since the possibilities of Trust Service to men living as well as dead have been developed, however, this type institution has broadened its scope and strengthened its appeal to a degree perhaps unequalled elsewhere.

To-day, the typical Trust Company is as much greater than the trust company of twenty years ago as the towering oak is greater than the tiny acorn from which it sprang.

Every man and woman, and perhaps the children, too, should know something about the Trust Company. So diverse are the services it renders, its appeal is almost universal.

One of its chief functions still is the executorship of estates. And in this field, the Trust Company has gained immeasurably. Sooner or later, it seems destined to wholly supplant the individual executor. Why? Because sooner or later, men and women must realize the greatly superior advantages of an executor who won't be taken ill, won't go insane, won't die, is an expert at estate-management, is honest and represents the combined skill and experience of many men, instead of one.

A second great function of Trust Service is the Safeguarding of investment holdings for those now living who hope to go on living in security. Here, too, growth has been great, and increasing popularity seems assured. With its small army of trained men, its exact records and its wide-flung points of contact, the Trust Company is obviously far better qualified to keep track of things, and guard against unnecessary losses than any lone individual.

A third great function of Trust Service is that sometimes known as the "Living Trust." A famous stock-speculator who, after losing and winning three immense fortunes, established a trust fund as a bulwark against future losses. Thousands of young fathers who, with college-education expenses looming ahead, have established trust funds to meet those expenses, *come what may between then and now.* Dozens of wealthy men who, not wishing that what they now give should be squandered by their beneficiaries, have established trust funds for them: These are among the exemplars of the Living Trust in a few of its many forms.

Are you too busy with your own business affairs to attend to the details involved in your investment activities? For example, is it an onerous burden to you to personally attend to the prompt collection of interest and principal, when due—the proper maintenance of property—the prompt and accurate remission of taxes and insurance premiums? Through the modern trust company, you may relieve yourself of all such details. In a sense, the Trust Company acts as a second brain and a third hand to those whose hands and brains are already overtaxed.

We have said that, with the development of Trust Service, the Trust Company has grown greatly. Comparative figures on the Total Capital, Surplus and Deposits of leading New York institutions illustrate this point. In this comparison, National Banks are included, which is fair since so many of these banks have opened Trust Departments:

The comparative figures are for the years 1905 and 1922, respectively. They show that the Total Capital of the institutions covered in 1905 was 161 millions, whereas in 1922 it was 304 millions, or nearly twice as great; Surplus and Profits in 1905 amounted to 273 millions, but by 1922 they had grown to 495 millions. Deposits rose from 1,959 millions in 1905 to 5,549 millions in 1922—nearly triple!

These figures are, in some degree, subject to interpretation and cannot be presented as an absolutely literal measure of the growth of Trust Service. But if absolutely accurate figures could be compiled, the showing would not be greatly altered.

Trust Service is a typical American product, built up in the typical energetic, forceful and result-getting American way. Our people should know more about it.

Financing the Erection of Community Buildings

Some Suggestions That May Be Helpful to Those Who Face This Task

I have been a subscriber to your magazine for several years and have read the various articles in your different issues with both interest and profit to myself. I have failed to find, however, during my acquaintance with your magazine, any articles dealing with the financing of building projects which depend for their support on voluntary contributions, such as churches, club-buildings, etc.

It seems to me that such an article or articles might serve a very fine purpose and undoubtedly would be appreciated by a high percentage of your subscribers.

At the present time, I find myself chairman of the finance committee in a church with a membership of between eight and nine hundred and face the responsible task of directing the financing of a $200,000 building project. While I have been reasonably successful in my own personal affairs, I must confess that I face this task with considerable trepidation and would highly appreciate any suggestion from your staff of experts, either in an article or by direct communication as to the best method of raising money and financing such a building project.

Thanking you in advance for any information I may receive, either directly or through the columns of your magazine, I am, etc. . . . R. E. F., S. . . ., Pa.

HOW AN ACTUAL $22,000 CHURCH BUILDING PROGRAM WAS FINANCED

SOURCE OF FUNDS	AMOUNT
From Individual Contributions...	1,000
From Fairs, Festivals, etc.........	$4,500
Bank Loan	12,000
Extended by Revolving Fund of Church Diocese	4,500
	$22,000

IT is quite conceivable that a good many readers would be interested in the topic Mr. Ferris brings up.

What with city-congestion to force them out and more and more widely-owned automobiles to take them out, many thousands of people have fled the crowded cities in recent years and sought the comparatively open space of the countryside. This development, of course, has led to the opening up of a host of new communities, each of which must have its community buildings, whether churches, halls or other edifices. And so, numbers of men and women are now facing, or will soon face, the same problems as Mr. Ferris faces, i. e., the efficient erection and financing of homes for specific community purposes.

Fortunately—especially in the case of church homes—the problem is not one which individuals or groups need to approach without the benefit of precedent or the experience of others. If it were, it would be a problem indeed, calling for more ingenuity, foresight and judgment, perhaps, than the average individual possesses. Through the years, of course, church projects have been so widely and frequently undertaken that something approaching standardization has been attained; and so, instead of trusting to personally-conceived and untried plans which may or may not work, it is largely possible nowadays to choose from plans which have been thoroughly tested and which, at different times, have proven practical.

Four Steps to Be Taken

There are, broadly speaking, four main steps to be taken in a church building project. First, of course, comes the selection of the plot; second, the selection of architectural plans; thirdly, proper preliminary provision for the manner of financing, and fourthly, the actual raising of the funds required.

In most religious denominations, the first three of these steps are made comparatively easy by the existence of bodies known as "building commissions" or "church extension commissions" whose function it is to pass upon building projects and assist in putting them into effect. One of the first things for men faced with our correspondent's problem, then, is to determine whether, in the denomination in question, such a commission exists and if so to establish necessary relations with it.

Once proper contact has been established with the building commission, the builders will find themselves relieved of most of the doubts connected with their undertaking. Through the commission, they may assure themselves of the correctness of their plans—a very necessary assurance in such projects, since each denomination has its set architectural "style" to which all new buildings must conform. Through the commission, they may also get in touch with competent "outside" architects. And finally, through the commission, they may also secure the necessary financial aid, represented by the difference between the funds to be raised at home and those required in the project as approved by the board.

In passing, it may be noted that experience, at least in the smaller communities, favors the selection of an "outside" architect as opposed to a local man. This because the outside man, where recommended by the building commission, or similar body, is always an expert in the particular school to which church buildings belong, and may thus be relied upon to handle the project with comparative skill and expedition; and also because the outside man can undertake a local project with none of the prejudices or personal preferences that are more or less likely to characterize the local man. Thus, he will not be so easily swayed by the personal considerations which are more or less likely to influence the architect from the home town itself. He can, for example, discharge the highly important task of deciding between competing contractors without aggravating any of the jealousies which a local man's selection might arouse. In two words, the outside architect can be expertly impersonal.

Planning the Financing

Assuming that the Building Commission has been approached, that it has made its survey of the neighborhood in order to determine whether or not the contemplated expense is justified, that architect's plans have been drawn and approved by the commission: The next step will be to map out the plan of financing.

Just what the final plan, as adopted, will be will vary, of course, in particular cases. The decision should rest upon a careful analysis of the four sources from which funds may be raised as follows: (1) Local entertainments, benefits, fairs, etc.; (2) Voluntary Contributions; (3) Bank Mortgage, and (4) the Revolving Fund, made available for such purposes by the diocese.

If the local banker has not already been invited to join the deliberations, he should be summoned in at this point. As a rule, he will be thoroughly familiar with the details involved in such projects and may be relied upon to make practical suggestions as well as to provide the machinery that will be needed.

Once it has been determined approximately what part of the needed funds may be obtainable from the four sources named, the last and most important work arises, i. e., the actual raising of the funds.

Some Tested Ways of Raising Funds

As said at the outset of this article, churches and other community buildings have been erected so frequently in the past that the best methods and plans have been pretty well standardized. As a result, the finance committee does not need to rely upon its own ingenuity, but may choose from any one of several tried plans that have proven successful elsewhere. If members of the parish cannot outline these plans from their own experience with them, the building commission of the diocese will probably be able to supply them; if the building commission falls short, there are some houses, we believe, which sell complete plans, and if none of these sources proves productive, there are organizations which make a business of "promoting" such projects, attaining quite uniform success.

Among the tried plans is the "Ten-Cents a Brick" plan, which needs no description. Another is the old envelope system—also universally known. A third and increasingly popular one is the $100 bond plan. Under this plan, bonds in denominations of $100 are sold to members of the parish, bearing dated "coupons" of $2 each, the total amount of the bonds corresponding with the amount of the mortgage obtained from the bank. As the coupons fall due, the holder pays them off at the bank, and when all his coupons have been paid off, the bond becomes a $100 mortgage on the church, which is later liquidated. Thus, payment of the coupons effects a corresponding reduction in the loan from the bank. The pledge upon which such bonds are issued becomes a promissory note on which the bank will loan money, subject to the endorsement of the church board.

In event of foreclosure, the diocese generally takes the church over and maintains it as a diocesan mission until the congregation is in position to pay off the debt.

Points for Income Builders

The "What" and "Why" of the More Important Kinds of Banking Institutions

DESPITE the marvelous growth of the banking institutions of this country and the world during the last half century and the commanding position these institutions now occupy in national and international affairs, there is still a good deal of haziness and uncertainty as to the functions and purposes of individual kinds of banks and more or less doubt as to the uses to which they may be put. In what follows, brief descriptions of some of the more important banking branches are offered, not with the idea of covering the field completely, of course, but merely to serve as an introduction to more extended reading.

The Savings Bank

What may be called the basic type of banking institution is the Savings Bank—a corporation, according to the New York law, which is *"duly authorized by the laws of this State to receive money on deposit and pay such rates thereon and to invest the same in such securities and obligations as may be prescribed by law."*

The Savings Bank is unique in the following respects: (1) It is primarily an institution of deposit; (2) Interest is paid on all deposits at stated intervals, based on the bank's profits during the period covered; (3) It is not, generally, required to maintain a reserve; (4) Its investments are rigorously restricted by law; (5) It does not maintain "checking accounts," or perform other similar services, nor does it engage in commercial activities.

Mutual Savings Banks

There are, broadly speaking, two kinds of savings banks, *mutual* and *stock*.

The Mutual savings bank, so far as organization and management is concerned, is a semi-philanthropic enterprise. It is managed by trustees who serve without pay, and all its earnings, after proper deductions for expenses and surplus, go to depositors. The management of a Mutual savings bank is self-perpetuating and cannot be voted out of office.

The Stock savings bank differs from the Mutual in that it makes no pretence of philanthropy but is distinctly a business proposition conducted in the interests of stockholders as well as depositors and distributing profits among the stockholders as well as in the form of interest on deposit accounts. Its management is subject to stockholders' election.

Income Builders can afford not to jump to conclusions too quickly as to the comparative merits of *mutual* and *stock* savings banks. The fact that mutuality makes the depositors the sole beneficiaries of a savings bank is, on the surface, a compelling attraction; yet, in practice, it should be remembered that this same feature deprives the depositors of (1) the possible benefits of a management itself tangibly interested in the welfare of the bank and (2) the possibly greater protection against loss represented by the stockholders' liability. While these disadvantages may, in actual cases, be more theoretical than factual, nevertheless they should be considered.

National Banks

Where the Savings Bank is, primarily, an institution of deposit whose investments and loans are rigorously restricted, the National Bank or State Bank is a commercial institution which receives *"deposits of cash, checks or drafts, and makes loans to the business public by discounting or purchasing commercial paper. . . . To these functions may be added a third, that of providing a medium of exchange through the issue of circulating notes."* (*Money & Banking*, by John Thom Holdsworth, D. Appleton & Co.) In addition, commercial banks perform numerous minor functions, such as safe-keeping, purchase and sale of foreign exchange, bank acceptances, etc.

National vs. State Banks

The National Bank differs from the State bank in the source of its charter and the laws under which it functions. President Holdsworth, quoted above, sees *"little or no justification for the popular opinion that national banks are safer and sounder than state banks. Most of the states now have excellent banking laws, which in many instances are modeled upon the national banking law, and a large proportion of the state banks have entered the Federal Reserve system. The percentage of failures among state banks is only a trifle higher than among national banks. The soundness of a bank depends, not upon the authority which issues its charter, but upon the ability and honesty of its management and supervision."*

As a matter of fact, some of our wealthiest institutions are state banks.

(Other types of banking institutions and their functions will be briefly described in later issues.)

How Will Your Insurance Be Paid?

In a Lump Sum? —*Which Will Probably Be Wasted or Unwisely Invested*

—or—

In Income Form? —*Which Will Safeguard Your Dependents Against Worry and Loss*

By FLORENCE PROVOST CLARENDON

ONE of the interesting philanthropies of a charitable woman is a monthly contribution to provide simple gifts for the old women in the County Poorhouse near her summer home. In this way she gives small luxuries and comforts which bring a little bit of Heaven to many a lonely soul. In seeking to ascertain their individual wants, the donor was asked by one old woman if she might have some postage stamps.

"I've always liked to write to my old friends." she explained wistfully, "but I never used to realize what an expense it was. When my husband was alive he gave me fifty dollars a month for 'pin money'. Shortly after his death all he had left me was swept away by unlucky investments." She paused and sighed a little. *"Just fifty cents a month now would be a Godsend."*

A regular income, however small, constitutes a certain degree of independence. If this old lady's husband had left part of his estate in the form of a life income, she would have escaped the unhappiness of complete penury. Yet how few men in building up their life insurance (frequently the largest, often the *only* asset left) plan the manner in which the proceeds of the policies are to be paid!

"I'm carrying $50,000 of life insurance for the protection of my wife" said a man recently.

"How is it payable?"

He looked a little blank. "Why—she gets the money!"

When asked whether he did not think it more prudent, and more thoughtful of his wife's best interests, to leave the greater part of this $50,000 in the form of an income, he said that the idea had never occurred to him.

Why Consider the Form of Payment?

The way in which the proceeds of a life insurance policy are to be paid should be carefully considered by the insured when applying for his protection. There is a growing disposition to make these proceeds payable in the form of an income over a stated period of years, or better still, throughout the lifetime of the beneficiary.

Investment is a field which occupies the attention of experts. Many inexperienced people, however, rush in where those experts fear to tread. It is said that $660,000,000 was lost in this country last year through bad investmetns. Capital is guarded against speculative chance if funded on an income basis.

Few men are consistently successful investors—and fewer women. This is no reflection on the intelligence of either. It simply means that the majority of people are not accustomed to handling sums of money for investment. Most people in moderate circumstances live on an income derived from a business, a profession, or a trade. The married woman, or one who is dependent on relatives, is, as a rule, in receipt of an allowance, regular or irregular, made in moderate amount for immediate use. She has, therefore, no occasion for seeking investment beyond the modest sums which may be diverted towards a savings fund.

Consider the difficulties which confront a woman living under such conditions who is suddenly in receipt of a large sum of money which should be conservatively invested. Perhaps the proceeds of the life insurance under which she is beneficiary yield $10,000 or $20,000 in cash. Frequently the proceeds amount to a much larger sum. In such circumstances a woman naturally consults her lawyer, relatives, or friends. Sometimes such advisors know something about conservative investing; frequently they don't. But in any event they are rarely backward in giving advice. This is where the trouble begins, for the possessor of the funds, through lack of business experience, is apt to be tempted by a suggestion of high returns on speculative investments, rather than attracted to a conservative security yielding a smaller income.

When taking life insurance for the protection of his family, it is the duty of the insured to see that the proceeds will be safeguarded. His responsibility does not end in paying premiums on his policies. In placing his application for life insurance, he should stipulate the manner in which it is to be paid. Thus the family protection built up by his thrift and self-sacrifice cannot be imperiled or lost.

Most wives and mothers who are beneficiaries under life insurance policies and other estates have been occupied in the management of the home and the supervision of their children. Is it fair then to expect that they will be sufficiently experienced in financial affairs to successfully and conservatively invest their funds on the death of the breadwinner?

Income Insurance the Logical Way

Practically all life insurance policies now contain provisions for optional modes of settlement, whereby *an income* may be left to the beneficiary instead of a lump sum of money. A careful reading of these options will enable the insured to visualize more accurately the proper amount of life insurance he should carry. A policy for $10,000 looks like pretty fair coverage to many a man *when viewed as a lump sum.* If paid in monthly instalments to the beneficiary over a limited period of years, it would yield as shown in the accompanying table.

The figures given are larger in amount guar-

The Income from $10,000 Insurance Made Payable in Instalments

NON-PARTICIPATING COMPANY

	Monthly	Payments in a year	Total
Income payable for a period of 5 years...	$181	$2,162	$10,810
Income payable for a period of 10 years...	98	1,176	11,760
Income payable for a period of 15 years...	71	852	12,780
Income payable for a period of 20 years...	58	696	13,920

PARTICIPATING COMPANY

	Monthly	Payments in a year	Total
Income payable for a period of 5 years...	$179	$2,148	$10,740
Income payable for a period of 10 years...	96	1,152	11,520
Income payable for a period of 15 years...	69	828	12,420
Income payable for a period of 20 years...	55	660	13,200

(*Supplemented by an annual dividend allotment.*)

anteed than are generally paid by companies granting *participating* insurance. When participating policies are issued, however, the amount of proceeds remaining undrawn with the company usually receives a dividend from surplus interest, enhancing the income each year. The figures applicable to this system are also shown in the table.

These figures are illuminating, and enable the family man to see straight in checking up his life insurance coverage. They help him to plan more accurately the proper protection for which he should aim.

When life insurance is payable as an income it frees the beneficiary from all responsibility of investment. Moreover, an estate left in this form is free from administration costs, Federal Income taxes, and most forms of local and state taxes.

Many life insurance companies now issue special "Monthly Income Policies," under which instalments usually in multiples of $25 are guaranteed to be paid monthly. This gives a yearly income in round figures—$1,200, $2,400, etc.—which enables the recipient to budget the annual expenses more easily.

Income May Be on Annual Basis

If desired, the Income Policy may be planned to yield annual, semi-annual, or quarterly instalments, instead of monthly. A man may wish to leave a special legacy to mother, sister, or daughter. By means of a life insurance policy on the income plan, this legacy may provide the birthday or Christmas present which he has never failed to give during life. The annual gift will be paid with unfailing regularity on December 25th or birth date each year throughout the lifetime of the loved one, when arranged in this way. Such remembrances have a sentimental as well as a practical value for they continue to evidence t..e affectionate and protective care of the donor long after he has crossed the Great Divide.

Are Personal Budgets Worth While?

Some Arguments For and Against—What the Budget Can and Cannot Do

By "BUDGET"

THE gentleman who edits the house organ published by one of the largest electric companies in the world—an organ which goes once a month to close to seventy thousand men and women—favored us with a brief visit the other day. In the course of the conversation the subject of Budgets came up (or maybe we brought it up!) and we took the opportunity to ask this editor what his views were as to the merits and demerits of the Budget idea.

The editor replied that he didn't believe in budgets. As nearly as I can quote him, he gave these two reasons: (1) Budgets, more often than not, breed discord and ill-feeling within the family circle. (2) Where Budgets are introduced, they are, in most cases, relied upon too heavily; then, when they fall short in some minor point or other, as they almost always do, confidence is unsettled; sooner or later, out go the Budget books—*and out goes the Savings Program along with them!*

"For these reasons," said the editor, in effect, "I don't recommend the wide use of Budgets. Instead I recommend the simplest, easiest plan I know of: I tell people to set aside, at the outset, or on each pay day, what they think they can spare for Insurance and Savings—and then to go ahead and live on the rest!"

We're willing to admit that there is much sound reasoning behind this editor's views. We ourselves have known of cases where Budgets have been resorted to by despairing husbands (or wives) as a last means of curbing extravagant wives (or husbands) with the result that temperamental differences have been brought to a head and real trouble caused. We have also known of cases where entire Savings Programs have been built up around an inflexible, involved and poorly-planned budget, the Savings Program being discarded along with the budget when disillusionment sets in. Cases of this sort, out of our experience, could be multiplied many times over.

Still and all, we're not prepared to agree that such instances as these discredit the budget plan. In our opinion, they merely represent the *misuse* of the system. And the inevitable effects resulting from a system's misuse never yet constituted just grounds for its indictment!

Budgets, of course, should not be expected to serve as a kind of club with which to beat intractables into submission. Such misuse is bound to cause trouble. Instead, the Budget should be introduced *tentatively* in families where it has not been tried before, and its adoption should—indeed, it must be predicated upon *the express willingness of every principal member of the family to cooperate in compiling it and to cooperate in sustaining it.* Where the spirit of accord and mutual forebearance essential to this procedure is lacking, the Budget idea might better be postponed, if not entirely discarded. It shouldn't be called upon to perform miracles.

Furthermore, Budgets should not be expected to function

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HOW ONE MAN LIVES ON $2,500 A YEAR

Supporting a Family of Four and Owning His Own Home

ACTUAL MONTHLY COSTS	
"Rent"	$21
Light and Fuel	15
Food	45
Clothing	27
Recreation	6
Medical	12
Books, etc.	3
Charity	5
Incidentals	28
Total	$162

WHAT HE SPENDS ON "INCIDENTALS"

Based on Actual Average Costs in One Year

MONTHLY AVERAGE	
Music and Education	$10
Health and Accident Insurance	5
Home Furnishings	4
Dom. Service and Laundry	2
Telephone	2
Personal Taxes	1
Miscellaneous	4
Total	$28

Building a Fortune by Keeping in Debt!

The True Story of a Physician and His Wife Who Amassed a Quarter of a Million by This Unique Method

By "M. D."

The wise men tell us to keep out of debt. Yet, here is a case where STAYING IN DEBT helped a typical couple reach a bigger goal more quickly than they might ever have done otherwise!

We found this true story one of the most interesting and informative of all the stories submitted in our last Prize Contest, and we commend it to the attention of every reader of the Building Your Future Income Department. IT IS GOOD!

I HAD been practicing medicine for a little over a year when I was married and at that time my income was barely enough to cover our expenses. In another year my business had increased so that we began to save money and we have been able to do so steadily for over twenty years until today, while still under the age of fifty, our property has reached the quarter-million mark. It may be interesting to some young people just starting out on the journey to know how we have accumulated so much from a profession that does not ordinarily develop good financiers.

Very early in my professional life I noticed how many widows dissipated their legacies on account of possessing no financial knowledge or training, and so I made up my mind that my wife should have some investments in her own name as soon as we began to make them and should get a first-hand experience in handling money. She was an educated woman, naturally thrifty and painstaking, and she soon developed such a grasp of business details that I was able, gradually, to turn over more and more of such work to her until I simply acted as an advisory board and she as manager of our property. This gave me freedom from all business worries and I was able to bend all my energies to my profession.

Now, as to our investments. We have never speculated or made any large gains but we have made every dollar work and have lost almost nothing in poor risks.

Our First Investments

Our first investments were small mortgages on real estate in our own city. Here we could appraise the security and run no risk of loss. We usually have been able to get seven per cent on the money and we still keep forty or fifty thousand invested in this way.

In the second place, we put some money in real estate. We live in a city that has had its periodic waves of prosperity and we have reaped a little benefit from such booms. My wife has built and sold a few houses on which we took instalment mortgages which grew safer and better as the amount owed decreased. We have made a few hundred here and there on such transactions—never more than a thousand dollars at a time and that we gained on selling some flats that we had held for eight years. The easiest thousand we ever made was by buying a piece of property and selling it again in two months during a boom.

Early in our planning we decided to divide our risk by investing three ways —in real estate, in mortgages, and in bonds. The first home that we built was on a prominent street close enough to town for it to become semi-business property in the course of eight years. We could have made a large profit by selling it but we still hold it in order that I may use part of it for comfortable, roomy offices which would cost a large rental in the regular office buildings on Broadway. It is bound to increase in value as the city grows and, meanwhile, it is worth more than the money it would bring. It keeps down my overhead office expenses and is arranged to bring in considerable rental besides. We have gradually disposed of our other real estate except that and our home which we built further out in the residence districts, for we found that real estate did not pay as well as other investments.

Bonds Have Been Best

On the whole, bonds have proved our most attractive investments. I have followed the bond market for fifteen or sixteen years and have picked out what I considered the best buys and accumulated them gradually as our savings would warrant. And here is another point that is worth mentioning: **As soon as I had bought a few bonds I found out how easy it was to borrow on them at the bank and so we no longer had to wait until a sufficient amount was saved but would order the new bonds that we wished to buy and would finance them by borrowing the amount needed using some old bonds as collateral.** The bank was always willing to make such loans and would accept any amount we accumulated from day to day in payment of our note. **In this way we were always in debt which is a strong incentive toward saving and we never had an idle dollar.** As soon as one note was paid off there was another started and, usually, several at once. Whenever a large bill was paid me or some one settled up a mortgage, that money never rested in the commercial account a day but a check was always drawn against it to apply on our debt. This involves considerable time and bookkeeping but my wife attends to all the details. She likes business and it gives her an interest outside her domestic affairs which I consider a good thing for a woman.

We have arranged that she should hold all the property in her own name which saves me trouble and ought to be some satisfaction to her. Furthermore, if I should die first, she would be saved the expense of paying a large inheritance tax. On the other hand, if she should be the one to go, I would have to pay the tax but we have made provision for that. She carries a $20,000 insurance for that very purpose so that I would not have to sell any of our holdings to raise the money. Even if I did have to raise the amount for the tax in some other way besides insurance, I figured that it would be easier for me to do so than for her as I have an income from my profession which could be used for that purpose while she would have to depend entirely upon the estate.

A Happy Arrangement

This one-sided arrangement of dividing the community property may not appeal

(*Please turn to page* 491)

Mining

The International Nickel Co.

Nickel May Be Worth $1,000 a Share, But—

The Thing to Know Is Earning Power as Well as Book Value

A CERTAIN statistician a number of years ago figured that the stock of the International Nickel Co. had a theoretical assets value of upwards of $1,000 a share. This was not a case of a liar figuring or figures lying. The statistician merely took the 57,000,000 tons of nickel ore which the company owns in the Sudbury district of Canada, estimated its net worth at the then market price of nickel and divided the total by the number of shares of International stock outstanding, after deducting the par value of the preferred. The result was well above $1,000 a share.

Undoubtedly, the stock had then and may still have, for all the writer knows, a "book value" in excess of $1,000 a share. But—and of course there must have been a "but"—everyone knows that it is never possible for a mining company to liquidate its underground assets overnight. Also that what makes the price of a stock is not so much its book value, which of course deserves consideration, but the income producing or earning power of the property.

Years ago, International Nickel, both old and the new companies, were large earners. The company enjoyed what was a virtual monopoly of the nickel producing industry of the world owing to the fact that there are only a few known deposits of nickel-bearing ore on this globe. International owned more than 80% of the ore in the largest district, that at Sudbury.

During the war period, when the demand for nickel to manufacture nickel steel for armament purposes sent the price of the metal soaring, International reveled in a period of almost fantastic prosperity as the earnings' tabulation, which accompanies this article, shows. This orgy of prosperity brought an aftermath, as was inevitable. During the war capital was attracted to the nickel producing industry, but as long as the war lasted there was business for all.

When the war stopped and the demand for armament purposes fell to almost zero the element of competition became important. The company's refining capacity at Port Colborne, Ontario, is sufficient to supply the world's normal demands of about 24,000 tons of nickel annually. Large stocks had been built up during the war period and production was much in excess of demand. As the result of the excess productive capacity the price of nickel fell to the lowest level in the history of the industry. International found it necessary to shut down its refineries at Port Colborne, Canada, and Bayonne, N. J., in August, 1921, and suspended practically all mining and smelting operations for the balance of the year. Mining operations were not resumed until September of the following year.

International's History

The old International Nickel Co. was incorporated in 1902 under the laws of New Jersey. In 1912 a new company was formed by the consolidation of the International with the Colonial Nickel Co. This new company owns the following corporations:

Societe Minere Caledonienne,
The Huronian Co., Ltd.,
International Nickel Co. of Canada, Ltd.

In addition, the company has a controlling interest in the Nickel Corporation, Ltd., of Great Britain. In 1912, the Orford Copper was dissolved and its assets taken over by International and in 1918 the Canadian Copper Co. was acquired and the latter company dissolved.

International mines, smelts and refines nickel and copper ores, and markets the products in the form of ingots, shot and electrolytic. It also manufactures cobalt and nickel salts. The smelting plant at Copper Cliff, Canada, has a daily capacity of 3,500 tons and the company operates separating and refining plants at Constable Hook, N. J., and Port Colborne, Canada. Ore reserves owned by International are sufficient to last 100 years at present rate of production, it is estimated.

One of the best assets of International is its control of the process of manufacture of monel metal, so named after the company's former president Ambrose Monel. The late Ambrose Monel combined extraordinary ability with great personal magnetism and it is but fitting that his name should be perpetuated in the metal which he developed. Monel metal is a non-corrosive, natural alloy of nickel and copper, combining the high tensile strength of steel with the duc-

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International Nickel's Record

	Total Income	Net Income	Earned on Common (Based on present capitalization)	Paid on Common (Based on present capitalization)	Surplus for Year	Price Range of Common: Year	High	Low
1914	$6,566,787	$4,792,665	$2.80	$2.50	$454,759	1915	233½	179¼
1915	7,230,761	5,598,072	3.34	3.12	309,378	1916	*56 13/16	38⅞
1916	14,340,966	11,748,279	6.83	5.75	1,781,720	1917	47⅛	24⅛
1917	16,979,608	13,557,970	7.78	6.12	2,952,910	1918	35	27
1918	16,181,501	10,129,988	5.79	4.50	2,065,004	1919	33⅞	20⅝
1919	11,211,521	5,922,630	3.20	2.50	1,204,414	1920	26¼	11⅛
1920	6,365,472	2,745,734	1.32	....	2,210,978	1921	17	11½
1921	5,166,581	2,029,700	0.89	....	1,494,944	1922	19¼	11¼
1922	607,353	d797,757	....	....	d1,332,503	1923	16¼	10⅛
1923	1,282,272	48,170	....	....	d486,586	1924	†15¼	11½

d Deficit. * Par changed from $100 to $25. † To June 25.

School for Traders & Investors

Thirty-Fifth Lesson

Ten Cardinal Principles of Trading

A Concentration of the Most Important Precepts Contained in the Past 34 Lessons of the School for Traders & Investors

FOLLOWING the presentation of thirty four lessons for traders and investors, it is appropriate to review the entire course and present in highly concentrated form the most important and essential elements of successful trading. If the average trader will adopt these principles, and follow them consistently and with determination, he cannot go far wrong, and the mathematical probabilities will be in favor of profitable operations.

After several tests of their practical value, he will find that his unfortunate trades may be charged almost entirely to the violation of one or more of these principles. To follow them strictly, is not so easy as a casual reading of them might suggest, because most powerful psychological influences will conspire to make the trader break his good resolutions. He should ever bear in mind that his worst enemy, *"sucker psychology,"* is lying in wait to embarrass him the moment he is off his guard.

For the experienced trader, these ten cardinal principles of trading, as presented herewith, require no further explanation, for the brief statements contain their own suggestions with regard to detail. However, we appreciate that what is obvious to the experienced may not be entirely clear to one who is serving his apprenticeship, so we offer the following:

The first principle is the most important of all. It is absolutely essential to success. Its violation is the direct or indirect cause of more losses than any other indiscretion in market operations. It should be clear that in order to maintain the margins specified, it is necessary to have additional funds available in bank. Therefore, do not place yourself in a vulnerable position by buying more than you can carry comfortably. If you do so, your judgment will be impaired by anxiety, and at the first sign of real danger, you will have the impulse to avoid disaster by closing out the trades that show the least loss, in order to protect those that show the greatest loss, on the theory that by so doing you are wisely "taking small losses," whereas you may be actually developing one or two that are very large, for in all probability you are closing out your strongest stocks to protect the weakest, whereas it should be just the other way around.

If you are obeying the second principle, the question of maintaining margin is not so important, for in case of real weakness in one or more commitments, you will be stopped out at the technical danger point, and your margin will not become sufficiently impaired to be of concern to your broker. This principle is beyond doubt the second in importance, but it is useless if you violate the third principle, for there is manifestly nothing to be gained by devoting your operations to limiting losses, and you will do little else if you habitually buck the trend.

If any of our students have had favorable or unfavorable experiences, that cannot be explained on the ground that some of these principles were either followed or ignored, we shall be glad to hear from them, so that we may improve upon our list. We believe our outline contains the essentials of success, but we do not claim that it is final, for the science of "marketology" is so complex, and involves such extensive and diversified knowledge, that we doubt whether an unabridged treatise thereof will ever be written, to say nothing of reducing it to the size of a label that you can paste in your hat.

TEN CARDINAL PRINCIPLES OF TRADING

1. *DO NOT OVERTRADE.*
   Maintain a margin of not less than 10 points on stocks quoted under \$50 a share, not less than 20 points on stocks quoted from \$50 to \$100 a share, and 20% on stocks selling above \$100 a share.
2. *LIMIT LOSSES.*
   Place stops at technical danger points on all trades, and if the location of the danger point is uncertain use a 2-point or 3-point stop, or await a better opportunity.
3. *FOLLOW THE TREND.*
   Do not buck the trend, and do not hedge. Be either long or short, but not both at the same time.
4. *FAVOR ACTIVE ISSUES.*
   Do not tie up funds in obscure or inactive stocks, and avoid thin-market issues except in long-pull operations.
5. *BUY DURING WEAKNESS.*
   Buy only after reactions confirming higher support.
6. *SELL DURING STRENGTH.*
   Close out on unusual advances at first sign of hesitation; and sell short only after evidence of distribution with lower support followed by lower top.
7. *DISTRIBUTE RISK.*
   Do not concentrate in one issue, but trade in equal lots of several different issues, all of which are definitely attractive. Avoid spreading over too many different issues.
8. *PROTECT PROFITS.*
   Never let a 3-point profit run into a loss, and never accept a reaction of over 5 points unless the favorable trend of the stock has been definitely established.
9. *AVOID UNCERTAINTY.*
   When the trend is in doubt, stay out. Avoid a traders' market when the ultimate trend is uncertain, unless the trade can be protected by a small stop and justifies the risk.
10. *DISCOUNT FUNDAMENTAL OUTLOOK.*
    Never ignore fundamental conditions, and always favor the trade wherein fundamental and technical conditions co-operate. Avoid a trade wherein fundamental and technical conditions are opposed, except in cases of imminent liquidation, or overextended short interest.

SERVICE SECTION

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION!

The inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands received—43,000 in 1923. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

MIDDLE STATES OIL

Precarious Financial Condition

I have 100 Middle States Oil for which I paid $6 a share. I did not take advantage of the exchange offer. Will you advise me if I took the right course—and if I should continue to hold the stock—or sell it, and put the proceeds into something that may enable me to retrieve the loss? A friend urges Trans-Continental Oil. What do you think?—B. T. S., Macomb, Ill.

Earnings as reported by Middle States Oil in the past few years have on their face appeared satisfactory but these earnings were always reported before deducting for appreciation and depletion. A much better picture of the Middle States Oil situation is the statement of its financial condition which was given out at the annual meeting held the latter part of March. According to this statement cash on hand was $381,314 and accounts receivable $198,246. Against this accounts and notes payable were 1.4 million, payments due on Wyoming-Montana R. R. works $639,569 and due on Louisiana R. R. $197,665. In addition, the company has a funded debt of 10.4 millions. In this funded debt is included 5.5 millions 7% serial notes payable in twenty quarterly instalments which were issued to purchase 372,281 shares of Southern States Oil Company at $14.75 a share. Obviously the company is in need of additional funds and we do not see how this money can be raised except at the expense of stockholders. An optimistic view of the company's future does not appear warranted and we believe you would be much better off with Trans-Continental Oil. This stock is also very highly speculative, but the company is in good financial condition through recent sale of stock and owns oil properties with promise.

SEABOARD AIR LINE

Earnings Improve

Please give me your opinion of Seaboard Air Line preferred.—H. M., Boston, Mass.

The excellent comeback of Seaboard Air Line last year and continuation of the improvement this year, undoubtedly have placed the company's preferred stock in an attractive position from a speculative standpoint. Were it not for the large accumulation of back interest on the company's adjustment 5% bonds, the chances are that the preferred would be selling at considerably higher levels than those now prevailing. The improvement in the Seaboard Air Line's affairs is illustrated by a comparison of recent earning figures, showing that the 1922 deficit of approximately $1 million was converted to a profit of almost $1½ million in 1923 and that earnings so far in 1924 are showing a 50% increase over 1923. In fact, if the showing to date is maintained throughout the balance of the year, it is estimated that the company will earn approximtely $8.75 on the preferred stock, not considering the accumulation of interest on the adjustment 5s. As interest payments were recently resumed on these bonds, the speculative outlook for the preferred stock has, of course, been increased accordingly, particularly if earnings continue to improve as they have during the past 18 months.

GODCHAUX SUGAR

Has Speculative Possibilities

I am interested in Godchaux Sugar and am somewhat uncertain in regard to my holdings in view of the sharp decline in the price of sugar. What is your opinion of the situation, do you advise me to continue to hold the stock?—T. C. R., Chicago, Ill.

Godchaux Sugar is one of the largest producers of sugar cane in the United States having under cultivation approximately 17,000 acres. The company also owns three sugar factories with an aggregate daily grinding capacity of 5,500 tons of cane as well as refineries. In December, 1923, the company passed the dividend on the preferred stock, although it was stated at that time that net profits for the final quarter exceeded $540,000 after expense and interest taxes, which compares with an annual dividend requirement of $218,000 on the preferred issue. The recent decline in the price of sugar has of course been an unfavorable development for the company, but it is well to realize that the price of sugar was very satisfactory in the early months of the year and Godchaux probably made enough money during this favorable period to largely offset the less favorable conditions now prevailing. Both common and preferred stock of this company are both very highly speculative but at present low levels are not without possibilities. It is our opinion, however, that Willys Overland preferred would be a good switch, as we consider this stock to be closer to dividends and there are 25% back dividends now due. Willys Overland at the end of June had paid off all its bank loans and there appear to be good prospects of 7% dividend rate being restored this year.

AMERICAN ICE

Reason for Recent Financing

American Ice as you know, has issued some 7% bonds, and I would like to get your idea as to the significance of this financing. It appears to me that in view of the substantial earnings the company has been showing they could have taken care of their business requirements without issuing bonds. I hold some of the common stock in which I have been a great believer but feel a little less certain about the stock under these conditions and would like your expert advice.—L. R. T., Brooklyn, N. Y.

The recent issue 3.3 million 7% bonds by the American Ice Company we do not consider an unfavorable development from stockholders' point of view. The company is steadily expanding its business of manufacturing ice and in addition has been building up a coal business. Recently the company purchased the Elmhurst Ice Company and the Elmhurst Coal Company with factories at Astoria, Elmhurst and Glendale, Long Island. As a matter of fact, the present policy of the company of raising some of the funds necessary for the expansion of its business through a bond issue may turn out to be a favorable development for stockholders, as it should enable the company to sooner adopt a more liberal dividend policy than would be the case if surplus earnings only were used. In the past five years approximately 9 million has been expended by the company for improvement and additions, and the management's policy of funding part of these expenditures is entirely warranted. In 1923 the company earned $12.51 a share on the common stock which compared with $18.48 a share in the previous year. The smaller earnings in 1923 were due to the

relatively cool summer which made 1923 a poor ice year. We consider the common stock a good long-pull holding and see no reason why you should not continue to retain it.

MACK TRUCKS

Expansion in Motor-Bus Field

I hold 50 shares of Mack Truck on which I have a profit of about 10 points. I have held the stock only a few months. In view of the confusing situation in the automobile industry I am uncertain whether to take my profit or hold on to the stock. I do not want a speculative security, I prefer a long-pull holding with chances for market appreciation.—C. L. F., Cincinnati, Ohio.

While Mack Truck has suffered to a certain extent because of general business recession, indications are that the company will have a very fair year. In the first three months $4.04 a share was earned on the stock and, while for the full year earnings may not reach the $20 a share reported in 1923, it is probable that at least $15 a share will be earned. Earnings have been helped this year by expansion in the motor bus and rail-car field. Because of a conservative dividend policy the company is now in very strong financial condition. Balance sheet as of March 31st, 1924, showed current assets of 28.9 million and current liabilities of only 3.8 million, a ratio of more than 7 to 1. Mack Truck is a dominant factor in the manufacture of heavy trucks and we believe the company to have a bright future. Although you have a good profit in the stock our suggestion is that you retain it for still higher levels. Of course, all common stocks are more or less speculative and if you feel that you are not in a position to assume any risk whatever you should not hold a stock like Mack Truck even though it appears a very promising security but place your money in high-grade bonds and preferred stocks.

FISK RUBBER

Switch Advised

I have about given up hopes of ever realizing the original cost of a few hundred shares of Fisk Rubber. Would you sell around the present low price and place the proceeds into something else, or would you hang on a while longer?—B. N., Louisville, Ky.

Fisk Rubber for the ten months ended October 31st, 1923, reported earnings equivalent to $11 per share on the first preferred stock, upon which back dividends now amount to 22%. In view of the fact that conditions in the tire industry are by no means satisfactory with severe competition and price cutting, it will probaly be some time before dividends are paid on the preferred stock and with all these back dividends to make up, the common is obviously rather out of the picture. It is our opinion that you would have much better prospects of making up some of your losses in another issue and suggest a switch into Willys Overland selling around 8. It is true that there are 25% back dividends due on Willys Overland preferred stock but as the company earned $59 a share on the preferred last year and should show close to $20 a share earned on the preferred in the first six months this year there is obviously a much better chance of the preferred dividends being cleared up than in the case of Fisk.

MARLAND OIL

Should Have a Good Year

What is the outlook for Marland Refining? How did it come through the recent depression in the oil industry?—E. H. P., Boston, Mass.

Marland Oil for the year ended December 31st, 1923, earned $1.52 a share on its stock after liberal deductions for depreciation and depletion. During the year the company added largely to its oil land holdings, which purchases depleted its treasury. In January, however, 300,000 shares of stock were sold at $30 a share bringing in sufficient money to place the company in strong financial condition. Marland Oil has increased its production from around 15,000 barrels daily in February to 25,000 barrels, and as it is receiving better prices for its oil this year, satisfactory earnings can be anticipated. Marland owns very valuable oil lands, its principal holdings being located in the Mid-continent field, although it has large acreage in many other fields. While there has recently been some shading of oil prices consumption has overtaken production and in the next few months the large stocks now on hand should be materially reduced. Marland stock is decidedly speculative, but we consider it to have good possibilities at present levels.

RAY CONSOLIDATED—MIAMI COPPER

Other Coppers More Attractive

I hold 100 shares of Ray Consolidated and an equal number of Miami Copper. I have a loss of about $1,200 on the two. Is there likely to be a copper revival—and if so, would it advantage me to sell either or both of these stocks and buy Kennecott?—D. T. L., Milwaukee, Wisc.

Because of the greatly increased output of the copper mines of the world in order to bring about an important upswing in the price of the metal a large domestic demand is necessary in addition to an important increase in European demand. With conditions slowly improving in Europe it appears quite probable that the European demand will increase but this, of course, may take some time. Under the circumstances, we feel that a good deal of discrimination is necessary in purchasing copper shares and that it is best to confine commitments to the strictly low-cost producers. Ray Consolidated is

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Should Profits Be Accepted in Standard Rails?

A subscriber who holds a representative list asks our views on what is the best policy to pursue now on standard railroad stocks:

For the past few years I have adopted the policy of picking out the better grade railroad stocks in reactionary markets and am now holding a line which includes Southern Pacific, Union Pacific, Atchison, Illinois Central, Atlantic Coast Line, New York Central, Pennsylvania, Chicago & Northwestern and Great Northern. With the exception of the last two named, these stocks show me a good profit and I would like to have your advice on the advisability of cashing in on some of these profits at the present time. It rather appears to me in view of the present business situation, earnings may fall off sufficiently to bring about a reaction in some of these issues which would enable me to get aboard again at a lower price.—C. L. S., Evansville, Ind.

We do not consider it good policy at this time to take profits in standard dividend paying rails such as you hold. While these rails have had a fair advance, it is our opinion that considerably higher levels are likely to be seen this year. One factor that is having an important effect in bringing about higher prices for the better grade rails, is easy money. With call money between two and three per cent and time money three and a half to four per cent, it would be entirely logical for railroad stocks whose present dividend rate is unquestioned to sell on a six to six and a half per cent basis, and in the case of roads such as Atlantic Coast Line where an increase in the dividend is probable a 5% basis is not unlikely which for Atlantic Coast Line would mean 140. At 150 Union Pacific would still be returning 6¾% and we believe the stock should make this figure. Despite the recession in business, earning power shown so far this year by Southern Pacific, Atchison, Illinois Central, New York Central, Atlantic Coast Line and Pennsylvania warrants the belief that all of these stocks offer possibilities of ultimately paying higher dividends although of course, no action may be taken until business picks up. Great Northern and Chicago Northwestern are more speculative issues, but in view of the upward tendency in the price of grain indications are that earnings will improve. We see no reason for accepting losses in these two issues. You have a good line of stocks and should hold them.

·SERVICE · SECTION·
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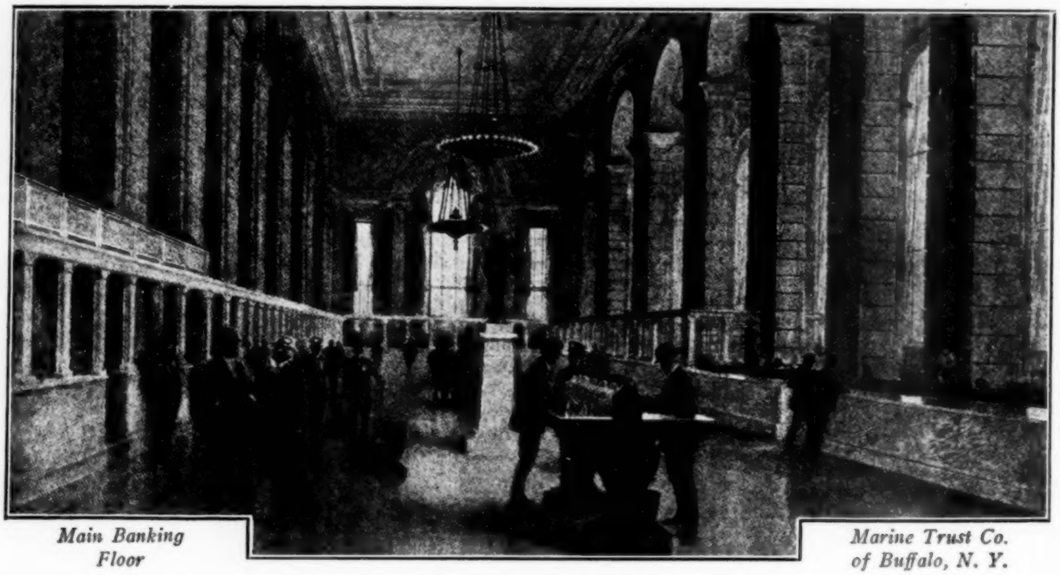
In The Banking World



Main Banking Floor *Marine Trust Co. of Buffalo, N. Y.*

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of The Magazine of Wall Street

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

How Does a Bank Show Strength?

Important Factors in Estimating the Position of a Bank

BANK failures in various parts of the country and differences of opinion, locally and nationally, as to the causes for these happenings, have lately directed a good deal of attention to the question of bank balance sheets and bank statements as currently published in the newspapers. It is probably true that very few bank depositors are in the habit of subjecting the statement of their own bank to careful analysis, preferring in a good many cases to accept the opinion of some one else, or to rely upon the fact that a given institution is a member of the Federal Reserve System, or is in some other way supposedly afforded special protection and stability.

This is always unsatisfactory. In order to furnish an actual illustration of banking conditions, and to indicate practical methods of judging it, the accompanying statements of two state banks of the smaller type in a middle Western state have been selected for comparison. That there might be no complicating elements, such as would come from the fact of membership in the Reserve System, and from the circumstance of special supervision from that source, banks have been chosen which are not members of the Reserve System, and which presumably represent the general type of conditions seen in the smaller institution locally organized in the West.

Character of Statements

It will be observed from these statements that the two banks in question are in very much the same general class as to size and character of operations, notwithstanding that one is about 25 per cent larger than the other in resources. So far as capital is concerned (taking capital to include capital stock, surplus and undivided profits) one bank is a little over twice as large as the other. Inasmuch as there should be a general relationship between capital stock and total operations; and, inasmuch as the total assets and liabilities of the larger bank are only about one-quarter times as large as that of the other, while the capital resources are twice as large, it is clear that in the larger bank there is a proportionately stronger base upon which to fall back in the case of failure. The larger bank, however, has a capital of $30,000,

and a combined surplus and undivided profits of nearly $20,000, or about three fifths of its entire capital resources in capital and the remainder in surplus, etc. The other bank has only one half of its capital resources amounting to $12,000 in the form of actual capital.

Thus, in the case of the larger bank, there is about $20,000 available for the purpose of writing off possible losses before capital would be infringed upon, while in the case of the latter only about $12,000 is thus available. In order to put the two banks on the same basis in this regard, the first bank would need to have only about $15,000 of surplus and undivided profits as compared with the second (or one and one-quarter times the available capital funds of the second bank), so that, on this basis of comparison again, its capital strength is shown to be superior to that of the other institution.

Deposits and Reserves

Having thus tentatively come to the conclusion that the larger of the two banks is also the stronger not merely absolutely but also relatively in the matter of capital, examination should now be made of the deposit situation. Bank No. 1 (the larger) reports on hand a total of $12,000 in savings deposits and $296,000 in time certificates of deposit. Deposits subject to check are only $94,000, while actual "reserve on hand" is $71,000. It is thus clear that this bank could, if it chose, liquidate about three quarters of its demand deposits by the direct payment of cash. In fact, it has on hand over two and one half times the amount of legally required reserve.

The other bank reports savings deposits to very nearly the same amount ($11,500), time certificates about $244,000 and deposits subject to check about $80,000. Its reserve on hand is $53,000. This gives it a fund which would presumably enable it to pay about five eighths of its demand deposits in the form of funds at sight without disposing of any assets. Its required reserve is a little over $30,000 so that from the standpoint of cash resources and demand liabilities it compares by no means favorably with bank No. 1.

Just here, however, it should be remembered that, if cash on hand is *sufficient* there is no reason why it should be *excessive*. A bank is not necessarily stronger for carrying an excessive amount of cash. Such a sum of cash on hand may indicate merely dull business or relatively poor management, resulting in idle money. Each of these two banks, as has been seen above, has a supply of cash resources which is far in excess of the required legal reserve, and in all ordinary circumstances should be very much larger than any amount for which it is likely to be called upon. There is thus no fault to be found with either bank on the score of the cash carried, as both seem to be amply protected, assuming of course that their other assets are in a condition which would permit liquidation in case of necessity. Both appear to be particularly "clean" since neither reports any rediscounts or borrowings. But to make up a final judgment about them some analysis of the position of their other assets is necessary.

"Fixed" Resources

Outside of its cash on hand, the resources of Bank No. 1 are found to be nearly one quarter in securities while in real estate including banking house there is about eight per cent of total resources. The nature of the securities owned is not mentioned but they would naturally assumed to be in part local mortgages or other long-term obligations. Its loans and discounts, of course, make up the bulk of its assets (in this case over one half, or $235,000).

In the case of Bank No. 2 securities owned are only $15,000, while banking house carried at $5,200, is the only real estate appearing on the schedule. Loans and discounts are $280,000 or more than three quarters of its total assets. This shows that the smaller of the two banks is doing the more active commercial business, carrying a much larger proportion of its funds in loans and discounts than the larger institution, and in fact actually exceeding the larger in the amount of that kind of business done. The larger

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HOW TWO SMALL BANKS COMPARE

Bank No. 1

RESOURCES	
Loans and Discounts, including rediscounts	$235,348.00
Overdrafts	1,334.00
Securities, etc.	111,400.00
Stock of Federal Reserve Bank	none
Banking house, Furniture and Fixtures	10,103.00
Other Real Estate owned	26,405.00
Checks and Drafts in Transit	none
Due from Federal Reserve Bank	none
Due from other Banks and cash on hand	71,331.00
Cash Items and Checks	30.00
Paid out for Expenses, etc., in Excess of Earnings	none
Other Assets, if any	none
Total	$455,953.00

LIABILITIES	
Capital Stock	$30,000.00
Surplus Fund	10,000.00
Undivided Profits, Net	9,196.00
Reserved for taxes and interest	201.00
Reserved for Depreciation	1,070.00
Bills Payable with War Finance Corporation	none
Bills payable—other than with War Finance Corporation (Including certificates for borrowed money)	none
Notes and Bills Rediscounted	none
Bonds Borrowed	none
Savings Deposits	12,205.00
Time Certificates (Other than for money borrowed)	296,849.00
Dividends Unpaid	8.00
Demand Certificates	none
Certified Checks	none
Cashier's Checks	1,486.00
Due to Banks	none
Deposits Subject to check	94,935.00
Other Liabilities, if any	none
Total	$455,953.00
Amount of Reserve on Hand	$71,361.00
Amount of Reserve Required by Law	$27,024.00

Bank No. 2

RESOURCES	
Loans and Discounts (including rediscounts)	$287,179.00
Overdrafts	455.00
Securities, etc.	15,000.00
Stock of Federal Reserve Bank	none
Banking house, Furniture and Fixtures	5,250.00
Other real estate owned	none
Checks and drafts in transit	none
Due from Federal Reserve Bank	none
Due from other banks and cash on hand	52,887.00
Cash items and checks	367.00
Paid out for expenses, etc., in excess of earnings	1,500.00
Other assets, if any	none
Total	$362,689.00

LIABILITIES	
Capital Stock	$12,000.00
Surplus Fund	12,000.00
Undivided Profits, Net	none
Reserved for taxes and interest	none
Reserved for depreciation	none
Bills payable with War Finance Corporation	none
Bills payable—other than with War Finance Corporation (Including certificates for money borrowed	none
Notes and Bills Rediscounted	none
Bonds borrowed	none
Savings Deposits	11,422.00
Time certificates (Other than for money borrowed)	244,563.00
Dividends unpaid	none
Demand Certificates	none
Certified Checks	410.00
Cashier's Checks	3,008.00
Due to Banks	none
Deposits Subject to check	79,285.00
Other liabilities, if any	none
Total	$362,689.00
Amount of Reserve on hand	$53,274.00
Amount of Reserve Required by Law	$30,718.00

Trade Tendencies

Revival Expected in Autumn

Price Decline Near End—Stocks Light—Retail Trade Increases

The Trend of Major Industries

STEEL—No change in conditions. Operations for July likely to show decline when compared with June. Price uncertainty a factor in further restraining demand.

METALS—Some improvement in foreign demand temporarily stiffens copper prices, but underlying factors remain unfavorable. Great need for curtailment of mining operations.

OIL—Crude-oil prices cut in Pennsylvania and Mid-Continent fields. Immediate outlook somewhat better, however, as seasonal demand begins to cut into storage supplies.

TEXTILES—Restricted output and price cuts beginning to have influence toward stabilization of finished goods markets. Industry still depressed, however.

LEATHER—Quiet conditions in leather industry follow usual summer shut-downs at shoe manufacturing centers. Slow progress being made in reduction of surplus leather stocks.

MOTORS—Producers holding output down to facilitate deflation of stocks accumulated during spring. Sales still rather under expectations.

PAPER—Prices on newsprint cut $2 a ton by Canadian mills. Domestic producers compelled to fall in line. Demand for all grades dull.

CHEMICALS—Chemical industry awaiting recovery in textiles, tire, steel and other consuming industries. Prices still tending downward despite long decline.

BUILDING—Material quotations moving downward. This trend should continue as construction activities readjust themselves; but likely to be prolonged.

COTTON—Government estimates of crop yield higher than expected. In absence of improvement at manufacturing centers prospect is for unsettlement in raw cotton.

SUMMARY—Summer slows manufacturing activities but retail trade shows improvement. Stocks of goods in retail and wholesale channels light, but hand-to-mouth buying continues as result of steady, though more gradual, downward revision of commodity price levels. No elements of outstanding weakness and outlook favors fall revival.

STEEL

Underlying Strength

THE steel industry shows no surface changes of great consequence. Demand is of the sort that leaves little impression, although it is doubtless significant that consumers no longer seem so confident of securing price concessions from the mills. There is little question that stocks in the hands of buyers are light, a condition having large potentialities for the future. In pig iron, the recent buying movement seems to have terminated. Apparently users of this product have filled their requirements for the present.

Production of steel is practically stationary at the lowest rates attained, although the rather extensive shutdowns over the July 4th week-end will undoubtedly result in a considerable decrease in July production figures compared with the June total, unless there should be a marked revival such as is not, at the moment, in prospect. As with current demand, however, the going rate of operations must not be taken too largely at its face value.

The trend of price averages is still downward but recessions are no longer pronounced, weakness in pig iron being the chief factor in late declines. In fact, some steel producers are attempting to stabilize the market by setting a time limit on quotations offered at figures below what is now regarded as the current market. In general, there is an air of greater firmness about conditions in the steel industry.

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1924 High	1924 Low	*Last
Steel (1)	$40.00	$38.00	$38.00
Pig Iron (2)	23.00	19.50	19.50
Copper (3)	0.14	0.12⅜	0.12⅝
Petroleum (4)	4.50	3.00	3.25
Coal (5)	1.88	1.88	1.88
Cotton (6)	0.35¼	0.27⅜	0.29⅞
Wheat (7)	1.21	1.01	1.20
Corn (8)	0.99	0.74	0.98¾
Hogs (9)	0.07⅝	0.06¾	0.06¾
Steers (10)	0.10¼	0.09	0.09½
Coffee (11)	0.16	0.10¼	0.15¼
Rubber (12)	0.27	0.17⅝	0.20
Wool (13)	0.56	0.50	0.50
Tobacco (14)	0.24	0.22	0.22
Sugar (15)	0.07½	0.04¾	0.05¼
Sugar (16)	0.09	0.06⅛	0.06⅞
Paper (17)	0.04	0.03⅝	0.03⅝

* July 8.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky,—per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

COTTON

Market Turns Weak

The Government's June 25th crop report upset the cotton market with its unexpected optimism respecting the outlook. Although a gain in condition and yield had been generally anticipated, the trade was evidently unprepared for so substantial an improvement in the crop as the Government estimate indicated. As a result, a heavy selling movement developed which carried price of raw cotton rapidly downward.

The crop condition is reported at 71.2% of normal compared with an estimated condition of 65.6% in the Government figures for the preceding month. Acreage under cultivation is estimated at 40.40 million acres, an indicated gain of 2.11 million acres or 5.5% over last year. Indicated yield of 12.14 million bales compares with an actual outturn of 11.05 million bales in 1923 and 11.89 million bales in 1922.

Conditions in the manufacturing centers are little changed, hence the drop in cotton met little resistance except from speculative interests. In fact, it is probable that the mills which were beginning to be reconciled to high prices have again been frightened out of the market by the latest turn of events. That support will be forthcoming from them is to be

(*Please turn to page* 479)

Making Securities Pay 50% a Year

A Description and Analysis of Every Campaign Conducted in 1923 and 1924 by The Investment and Business Forecast of The Magazine of Wall Street

An analysis of the seventeen Technical Position (trading) campaigns conducted by The Investment and Business Forecast of The Magazine of Wall Street since January 1923 shows:

974 points net profit
83 per cent accuracy in forecasting security movements
70 per cent profit in 17 months on a 20 point margin account after allowing for commissions and taxes

But over and above this the record shows conclusively that—

The way to make money in security trading is to keep steadily at it, following our advices consistently, not just now and then, taking the losses and the profits—in short, keeping on a business basis.

The Investment and Business Forecast presents on its Technical Position page (trading department) a series of forecasts as to the probable direction of the next important swing. We endeavor to ascertain the turning points in the principal market movements which run from ten to fifteen points in leading stocks, and from a few weeks to a few months in duration.

We advocate commitments divided among ten or twenty issues which can be selected from the forty or fifty issues recommended. The risk on each transaction is limited by the use of stop orders. We do not recommend a stock unless there is a possibility of a ten or fifteen point profit. By thus limiting our risk and letting profits run, we realize a larger number of points profit than points loss.

In order to determine exactly how the advices work out, every recommendation over a considerable length of time must be taken into consideration. The past 17 campaigns cover a period of approximately 17 months and show exactly what subscribers who received the Service during that period gained.

The survey of the 17 campaigns shows that:

If you had bought and sold 100 shares of each stock recommended in The Technical Position Section of The Investment and Business Forecast in the past 17 months, you would have realized a gross profit of......	$97,438
Less an allowance of $40 per 100 shares on each round turn to cover commissions and taxes (this is very liberal)........................	26,860
Leaving you a net profit of........................	70,578

This takes into consideration every recommendation made during the period. The profits shown in detail in the table on the next page are those which remain **after deducting the losses**, for there have been losses. No man, no group of men, no organization, however highly expert its members and however elaborate its facilities, can hope for 100 per cent accuracy.

The Investment and Business Forecast scientifically inquires into the market or technical position of every security listed, tests each issue in the laboratory of scientific research—contrasts market factors and values, weighs the probabilities, so far as they are determinable, and ignores or discards possibilities that have nothing tangible as a basis. Economic fundamentals and the technical position of the market as a whole must be considered also, and the relative weight of each factor determined. Upon these, the recommendations are based.

Briefly summarized, the campaigns of the past 17 months show this:

There were six successful campaigns in which a total of 285 stocks were recommended from time to time, showing at the conclusion of the campaigns a net gain of 1,244½ points, an average profit per stock of 4.33 points.

There were eight unsuccessful campaigns in which a total of 297 stocks were recommended, the result showing 275⅞ points losses, an average loss per stock of 0.92 points.

Three of the campaigns were indecisive, 107 stocks being recommended, with a final result of an average profit per stock of 0.05 points.

Altogether, therefore, the successful campaigns, as compared with the unsuccessful ones showed approximately the same number of stocks recommended, with the gains approximately 4¾ times greater than the losses. This ratio means 83 per cent accuracy, eliminating the three indecisive campaigns which show practically no gains and no losses.

The secret of successful security market operations is in limiting losses and permitting profits to ride. So long as the gains exceed the losses, the operations are profitable. To be worth-while, however, the excess of gains over losses must be considerable. They must represent an adequate return in the first place upon the capital employed. They must also show an amount sufficient to pay, in addition, the cost of the facilities employed—these are taken care of in our allowance of $40 per round turn on each 100 shares—and the cost of such expert service as may have been employed.

It is difficult to say how much money a man should have in order to make profitable use of the Forecast. There is, of course, a minimum, but this depends upon the trading methods of the subscriber. There are some who always buy stocks outright; while others are content to trade upon a small margin. Obviously a man who trades on a 10-point margin requires only a part of the capital needed by the man who buys outright. Or if he uses the same amount of capital he is able to handle several times as many shares.

Where margin trading is employed we always recommend the use of a conservative margin of approximately 20 points, and on this basis the first campaign in the series under review would have required

$106,500 margin had the subscriber gone short of 100 shares each of the 53 issues recommended. Had he traded in odd lots of 10 shares, he would have required $10,600. In the first case he would have made a profit of $25,480, as shown in the following summary of the profits and losses of the entire 17 campaigns. Had the subscriber followed the plan of selecting only 10 issues it would have required from $2,000 to $20,000 margin, depending upon the number of shares traded in.

Campaign Ending 1923	Gross Loss	Gross Profit	Commission and Tax	Net Loss	Net Profit
Jan. 4.......		$27,600	$2,120		$25,480
Jan. 27.......	$4,150		1,560	$5,710	
Mar. 16.......		20,500	2,320		18,180
Apr. 21.......	3,037		1,880	4,917	
May 26.......		16,050	720		15,330
June 20.......	3,200		480	3,680	
July 6.......		237	760	523	
July 28.......	1,587		960	2,547	
Sept. 7.......		18,250	2,480		15,770
Sept. 19.......	2,812		1,720	4,532	
Oct. 9.......	425		2,400	2,825	
Oct. 31.......	4,275		1,280	5,555	
Dec. 10.......		20,075	2,080		17,995
Dec. 27.......	4,275		1,200	5,475	
1924					
Mar. 27.......	4,250		2,100	6,350	
Mar. 31.......		762	1,120	358	
May 22.......		21,975	1,680		20,295
Totals	$28,011	$125,449	$26,860	$42,472	$113,050
Net		97,438	26,860		70,578

It will be observed there were only 36 points loss in the first campaign, against which there were profits of 312 points, the ratio of profits to losses being almost 9 to 1. The profits added to the capital employed would have enabled the subscriber to enter upon the second campaign, which covered only 39 stocks, without any additional capital. This second campaign was conducted at a loss of 41½ points, an average of practically 1 point per stock, and the subscriber's capital would not have been seriously impaired. On the basis of 100 shares of each stock recommended and a 20 point margin on each stock, he would still have been $19,770 to the good, after paying commissions and taxes.

The third campaign we conducted on 58 stocks and no additional capital would have been needed, assuming nothing had been drawn down, for the trader would have almost 25 points margin. This campaign, which was conducted on the long side, showed only 3¾ points loss, and gross profits of 208¾ points. After allowing for commissions, taxes and interest, the subscriber would have had the equivalent of 30 points margin on each of the 47 stocks in the next campaign.

It may be well here to study the summary of the 17 campaigns in the following table, which shows the position taken, the number of recommendations, and the losses and profits in each campaign:

No. of Stocks	Campaign Ending 1923	Position	Losses	Profits	Net Loss	Net Profit
53	Jan. 4......	short	36	312		276
39	Jan. 27......	short	55⅞	14⅜	41½	
58	Mar. 16......	long	3¾	208¾		205
47	Apr. 21......	long	58¾	28⅜	30⅜	
13	May 26......	short	7	167½		160½
12	June 20......	long	32		32	
19	July 6......	short	5¼	8⅛		2⅞
24	July 28......	long	33⅞	18	15⅞	
62	Sept. 7......	long	24⅛	206⅝		182½
43	Sept. 19......	long	36	7⅞	28⅛	
60	Oct. 9......	long	58⅜	54⅛	4¼	
32	Oct. 31......	short	53⅛	10⅜	42¾	
52	Dec. 10......	long	11	211¾		200¾
30	Dec. 27......	short	53⅛	10⅜	42¾	
	1924					
70	Mar. 27......	long	128⅜	85⅞	42½	
28	Mar. 31......	long	13½	21⅛		7⅝
42	May 22......	short	9½	229¼		219¾
689			620⅜	1595	280⅛	1254½

Final Net....................974⅜ Profit

The trader who followed our advices over the past 17 months would have made 70 per cent on his money without having at any time to increase his original marginal deposit. Seventy per cent in 17 months is practically 50 per cent a year, and the intending subscriber who wishes to know whether The Investment and Business Forecast will pay him, has only to determine whether 50 per cent on the funds he uses in his trading operations would give him sufficient profits to justify the expenditure of $150 a year.

The two tables show every phase of the operations of these 17 campaigns. Nothing is concealed; every loss is shown; the number of stocks recommended during each campaign is indicated. The position taken, whether short or long; the net losses and net profits, and all of the other data necessary to enable the inquirer to apply the acid test to our recommendations.

For convenience, one of the tables is computed on a basis of 100 shares of each stock recommended. This merely forms a base. Each trader knows his own investment trading methods, and will be able to apply them to these campaigns.

There is one point, however, which is not brought out in the tables and cannot very well be. That is that the profits made by the regular subscriber were in the main much larger than these, because the largest profits were made on stocks recommended in the very beginning of each campaign. During the progress of the campaigns additional stocks were added for the benefit of new subscribers, and while these have usually been profitable, the gains have been smaller than on the original commitment. As an instance, in the campaign which ended May 22, of this year, 42 stocks are shown as having been sold short. The original recommendations on April 3, however, contained the names of only 25 securities. The others were added from time to time. Practically every stock, however, of the entire 42 showed a profit.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1923		1924		Last Sale	Div'd $ Per
RAILS:	High	Low	High	Low	High	Low	High	Low	July 9	Share
Atchison	125¾	90¼	111¼	75	108½	81¾	104⅝	97½	104¼	6
Do. Pfd	106¾	96	102⅛	75	95½	72	92½	86½	90⅞	5
Atlantic Coast Line	148½	102½	126	79¾	127	77	126	112	124¼	6
Baltimore & Ohio	122¼	90⅛	96	48¼	60¼	27⅜	60½	52⅛	60¼	5
Do. Pfd	96	77¼	80	48¾	66¼	38½	59⅞	56¼	59⅜	4
Canadian Pacific	283	165	220½	126	170⅞	101	150⅞	142¾	149½	10
Chesapeake & Ohio	92	51¼	71	35¾	79	46	84¼	67⅜	83⅛	4
Ches. & Ohio Pfd	..	..	..	..	105¾	96	106⅛	99½	106⅛	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	11¼	16⅜	11⅛	14½	..
Do. Pfd	181	130½	143	62½	76	20¾	30¼	21¼	24¾	..
Chicago & Northwestern	198½	123	136⅞	85	105	45⅞	60⅛	49⅛	59	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅜	31⅛	21½	30⅞	..
Do. 7% Pfd	..	..	94¾	44	105	64	86	76¾	85½	7
Do. 6% Pfd	..	..	80	35¾	93¼	54	73½	65⅜	73½	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	120	104½	116⅜	9
Delaware, Lack. & W	340	192½	242	160	260½	93	126¼	110¾	122⅝	6
Erie	61¼	33½	59½	18¾	22¾	7	29⅜	20¾	29	..
Do. 1st Pfd	49¾	26¼	54¾	15½	33	11⅛	37¾	28⅜	37	..
Do. 2nd Pfd	39⅜	19½	45⅛	13⅜	27¾	7⅛	34	25⅛	34	..
Great Northern Pfd	157⅞	115½	134¾	79¼	100¾	50⅝	64⅜	53¾	64⅜	5
Illinois Central	162½	102¾	115	85¾	117½	80⅞	108	100¼	107¾	7
Kansas City Southern	50¼	21⅛	35⅛	13½	28⅞	13	21⅜	17¾	19¾	..
Do. Pfd	75½	56	65½	40	59½	40	54	51¼	52⅞	4
Lehigh Valley	121¼	62½	87⅛	50⅛	72	39¾	72⅜	39½	47½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	99¾	87⅝	99	6
Mo. Kansas & Texas	51⅛	17½	24	3¼	*19¾	*¼	15	10½	14⅝	..
Do. Pfd	78¼	46	60	6½	*48¾	*2	42¾	29¾	42⅛	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	8¼	17⅜	9⅛	17	..
Do. Pfd	..	..	64⅜	37½	63¾	22¼	49½	29	47⅜	..
N. Y. Central	147¾	90⅜	114¼	62½	107¼	64¼	107¼	99⅛	105¼	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	96½	72½	98⅜	6
N. Y., N. H. & Hartford	174¾	65⅜	89	21½	40⅞	9⅝	25⅛	74⅛	24⅝	..
N. Y., Ont. & W.	55¾	25⅛	35	17	30½	14¼	22½	16	20⅛	..
Norfolk & Western	119¾	84¼	147⅛	92⅝	128¼	84¼	132½	102½	121⅛	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	64⅞	47⅛	64⅛	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	46¾	42¼	44¾	3
Pere Marquette	*36½	*15	38⅛	9½	47¼	12⅛	53¼	40½	52	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	49¾	38	49	..
Reading	89⅝	59	115½	60⅛	108	60¼	79	51⅞	57½	4
Do. 1st Pfd	46¾	41¼	46	34	61	32⅞	56¼	34⅛	34¼	2
Do. 2nd Pfd	58¾	42	52	33¾	65½	33¼	56	33⅛	33⅞	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	25⅜	19⅜	25⅛	..
St. Louis Southwestern	40¾	18½	32¼	11	40	10⅞	44⅝	33	43⅞	..
Southern Pacific	139½	83	110	75¾	118⅜	67½	94⅛	85½	93	6
Southern Ry	34	18	36¾	12½	38⅝	24¾	67	38½	66¼	5
Do. Pfd	66⅞	43	85⅛	42	72½	42	74⅛	66¾	74⅛	5
Texas Pacific	40½	10¼	29½	6½	70½	14	33½	19	32	..
Union Pacific	219	137¾	164⅛	101¼	154¾	110	137⅞	126⅝	137⅛	10
Do. Pfd	118½	79¾	86	69	80	61¼	75	70	74½	4
Wabash	*27⅞	*2	17½	7	14⅜	6	17⅜	10¾	14¼	..
Do. Pfd. A	*61¾	*6¼	60½	30⅞	38	17	47¾	34	48⅛	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	32¾	27½	†27½	..
Western Maryland	*56	*40	23	9¼	17¼	8	11⅜	8⅜	9⅝	..
Western Pacific	..	..	25½	11	40	12	24⅜	14¾	23	..
Do. Pfd	..	..	64	35	78	51½	73⅝	58	†71	6
Wheeling & Lake Erie	*12⅞	*2½	27¾	8	18¼	6	10	7½	9⅞	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	68⅜	73½	82½	6
Allied Chem.	..	..	..	..	91¾	34	75⅜	65	74⅝	4
Do. Pfd	..	..	..	..	115½	83	116¾	110	116⅜	7
Allis-Chalmers	10	7⅜	49⅛	6	59⅜	26⅝	53⅜	41⅝	52⅝	4
Do. Pfd	43	40	92	82½	104	67½	96¾	90	†95	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¾	10⅛	17	7⅛	11¾	..
Do. Pfd	105	90	103⅛	89⅜	103	28¼	49⅛	16⅜	32	..
Am. Beet Sugar	77	19¾	108½	19	103¼	24½	49½	36	41	4
Am. Bosch Mag	..	..	..	..	143⅞	22¾	38⅞	22¼	30	..
Am. Can	47⅜	6⅞	68½	19¼	107⅜	21¾	122⅜	95⅞	115¼	6
Do. Pfd	129¾	98	114½	80	115	72	115⅞	109	†114	7
Am. Car & Fdy	76½	36½	98	40	201	84⅛	178	153½	166½	12
Do. Pfd	124¾	107½	119⅛	100	126⅛	105¾	124	118¾	123½	7
Am. Express	300	94¼	140½	77½	175	76	100⅞	88	100¼	6
Am. Hide & Leather	10	3	22½	2½	43⅛	5	13⅜	7¼	9½	..
Do. Pfd	51⅞	15⅛	94⅞	10	142⅜	29¾	65	50½	†57	..
Am. Ice	..	..	49	8⅜	122	37	96	86	89½	7
Am. International	..	..	62¾	12	132¾	16	25½	17⅜	22½	..
Am. Linseed	20	6⅞	47¾	20	95	18	22⅛	13⅜	16¾	..
Am. Loco.	74¾	19	98¾	46⅛	136⅜	58	76½	70⅛	78½	6
Do. Pfd	122	75	109	93	122¼	96½	120	116¼	119¼	7
Am Safety Razor	..	..	.	..	22	3½	7½	5⅞	†6⅜	50
Am. Ship & Com	..	..	..	..	47½	4¼	15⅜	10⅜	12⅛	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50⅛	69⅜	29⅝	66⅞	57½	66⅞	5
Do. Pfd	116¾	98¼	118⅛	97	109⅜	63¼	101½	96	101½	7
Am. Steel Fdys.	74½	24⅛	96	44	50	18	40⅜	33½	35¾	3
Do. Pfd	..	..	..	..	107	78	104½	101¼	103	7
Am. Sugar	136⅜	99⅞	126½	89⅛	148¾	47⅜	61¾	38⅜	44½	..
Do. Pfd	133½	110	123½	106	119	67½	99⅞	79	87½	7
Am. Sumatra Tob.	..	..	145¾	15	120½	16	28½	7⅛	7½	..
Do. Pfd	..	..	103	75	105	32½	69	31	†31	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	128⅜	92¼	130⅞	121⅛	123⅜	9
Am. Tobacco	*530	200	256	123	314½	104¼	157	136⅜	145	12
Do. B	..	..	..	..	210	100⅛	105	101	105	6
Am. Woolen	40⅜	15	60⅞	12	169½	55½	78⅞	62	72½	7
Do. Pfd	107⅜	74	102	72½	111⅞	88½	102⅜	96¼	3½	7
Anaconda	54⅜	27½	105⅜	24¼	77⅜	30	41	28½	30	..
Associated Dry Goods	..	..	28	10	89	48	100½	79	97	5
Do. 1st Pfd	..	..	75	50½	89	49⅜	88⅞	83½	†86	6
Do. 2nd Pfd	..	..	49½	35	93½	38	95	89	†93	7
At. Gulf & W. I.	13	5	147¾	4½	192⅜	9¼	20⅞	10⅛	19½	..
Do. Pfd	22	10	74¾	9⅞	76½	6¾	27⅛	12⅜	25½	..
Baldwin Loco.	60¾	36½	154½	26¾	156¾	62¼	131	104⅜	115⅞	7
Do. Pfd	107½	100¼	114	90	118	92	116	110½	†115½	7
Bethlehem Steel B	*51⅜	*18¾	155½	59¾	112	41½	62⅜	45	46¾	5
Do. 7% Pfd	80	67	186	68	108	87	97	89½	90½	7
Do 8% Pfd	.	.	110½	92½	116¾	90	110⅝	102	†103	8

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1923 High	Post-War Period 1919-1923 Low	1924 High	1924 Low	Last Sale July 9	Div'd $ Per Share
Burns Bros. A	45	41	161½	80	147	76	112½	97½	100	10
Do. B	..	..	..	..	53	21½	27	19⅜	25½	2
Calif. Packing	..	..	80	60	87½	48⅜	87½	80	†84	6
Calif. Petro.	73¼	16	42¾	8	71⅞	15¾	29¾	21⅛	22¾	1¼
Calif. Petro. Pfd	95½	48	81	29¼	110½	68	107	94	†95	7
Central Leather	51¾	16½	123	25⅞	110½	9¼	17⅛	9⅞	13¾	..
Do. Pfd	111	80	117½	94⅝	114	23⅝	49	29¼	46½	..
Cerro de Pasco	..	..	55	25	67½	23	48½	40⅛	47¼	4
Chandler Mot.	..	..	103¾	56	141½	38¼	66½	42⅛	48	6
Chile Copper	..	..	39¾	11¼	30¾	7½	28¾	25⅝	28⅜	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	20½	15	†17⅞	..
Coca Cola	..	..	..	..	83⅜	18	77½	61	73¼	7
Colum. Gas & E.	..	..	54⅜	14¼	114⅞	30¼	40⅝	33	40⅝	2.60
Consol. Cigar	..	..	..	..	80	13½	22⅛	11⅛	17	..
Con. Gas	*165¾	*114½	*150½	*112½	*145¾	56¾	69⅞	60⅞	69¼	5
Corn Prod	26½	7⅜	50½	7	160½	46	37⅞	31½	33½	2
Do. Pfd	98½	61	113½	58¼	122¾	96	120⅞	115⅛	†119¼	7
Crucible Steel	19⅝	6½	109⅞	12½	278½	49	71¾	48	55¼	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59¾	5⅜	18	11⅛	13⅝	..
Cuban-Amer. Sugar	*58	*23	*273	*38	*605	10⅞	38⅞	28½	30	3
Endicott-Johnson	..	..	..	..	150	44	67½	55⅞	61½	5
Do. Pfd	..	..	..	..	119	84	115	106½	†106¼	7
Famous Players	..	..	..	..	123	40	81½	61	79⅞	8
Do. Pfd	..	..	..	..	107⅜	66	97½	87⅞	97¼	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	13⅞	8	9¼	..
Gen'l Asphalt	42⅞	15½	39⅛	14¼	160	23	40¾	31⅜	41¼	..
Gen'l Electric	188½	129¾	187¼	118	202¼	109½	245	193½	243	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	16¼	12¾	14½	1.20
Do. 6% Pfd	..	..	99½	72¾	95	63	84¼	80	†85	6
Do. 6% Deb	..	..	..	..	94¾	60	85	80¼	84⅞	6
Do. 7% Deb	..	..	..	..	105	69	100⅛	92	†95¼	7
Goodrich	86½	15½	80¼	19⅛	93¾	17⅜	26⅜	17	20	..
Do. Pfd	109¾	73⅜	116⅜	79⅞	109½	62½	80	70¼	†73	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅜	31½	26	27½	3
Houston Oil	25½	8¼	86	10	116½	40½	82½	61	70	..
Hudson Motors	..	..	..	..	32¾	19½	29¾	20½	24½	3
Hupp Motors	..	..	11¾	2½	29½	4⅜	18	11¾	12⅞	1
Inspiration	21¾	13⅞	74¾	14½	68⅞	23¼	27⅜	22½	22⅞	..
Inter. Mer. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	10½	6⅛	8½	..
Do. Pfd	27¾	12½	125⅝	8	128½	18½	38⅜	26½	35⅞	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅜	17½	11½	17¼	..
Inter. Paper	19¾	6½	75½	9½	91⅜	27⅞	51⅛	34½	49⅝	..
Invincible Oil	..	..	..	..	47⅛	5½	16⅞	11¾	12¼	..
Kelly Springfield	..	..	85½	36⅞	164	20½	35	4⅜	13⅝	..
Do. 8% Pfd	..	..	101	72	110¼	70½	88	33	35	..
Kennecott	..	..	64¼	25	45	14⅜	41	34½	40½	3
Lima Locomotive	..	..	..	..	74⅞	52	68¾	56	60½	4
Loews, Inc.	..	..	..	..	38¾	10	18	15½	16⅞	2
Loft, Inc.	..	..	..	..	28	6	8¾	5⅝	†6	..
Miami Copper	30¼	12¾	49¾	16½	32¾	14½	24	20	†20⅜	2
Nat'l Lead	91	42½	74⅝	44	148	63½	155¾	123½	143¼	8
N. Y. Air Brake	98	45	136	55⅞	145¾	26⅛	45	36⅞	43¼	4
N. Y. Dock	46¼	8	27	9¼	70¾	15¾	37½	19	33	..
North American	*87⅞	*60	*81	*38⅞	100¾	17½	27¼	22	27½	2
Do. Pfd	..	..	..	..	48½	31⅞	49¾	43⅞	49½	3
Pacific Oil	..	..	..	..	69⅜	27½	58⅛	45	46⅜	2
Pan. Amer. Pet	..	..	70¾	35	140¾	38⅜	61¼	44¼	51⅜	4
Do. B	..	..	..	..	111¾	34⅜	59½	41¼	49¾	4
Philadelphia Co.	59¼	37	48⅞	21½	50¼	26⅛	51⅞	42⅞	51⅞	4
Phillips Pet.	..	..	..	..	69⅜	16	42½	32¾	34½	3
Pierce Arrow	..	..	65	25	99	6¼	12⅛	6½	10⅜	..
Do. Pfd	..	..	109	88	111	13½	30⅛	18⅛	29	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74¾	45	63¾	57	59	4
Pressed Steel Car	56	18½	88¼	17⅛	113¾	42½	62	45½	50¼	4
Do. Pfd	112	88½	109⅛	60	106	80	90	80½	†81	7
Punta Aleg. Sug.	..	..	51	29	120	24⅜	67⅛	47¼	50½	5
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	26⅜	20	20¾	1½
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	122	106	118	8
Do. Pfd	113⅜	90¼	105½	75	121½	92½	118	113	115½	7
Ray Cons. Cop	27½	7½	37	15	27½	9⅞	12	9	11	..
Replogle Steel	..	..	..	..	93½	8	15⅜	7⅛	10½	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	61⅞	42	46⅜	..
Do. Pfd	111¼	64½	112⅜	72	106¾	74	95	82	†86	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	50½	46⅛	†49½	3.46
Shell T. & T.	..	..	..	..	90¼	29⅛	41½	33	†35⅞	2.06
Sinclair Con. Oil	..	..	67½	25¾	64⅜	16	27⅛	17⅞	18	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	30⅞	42¼	33	34½	1
Do. Pfd	..	..	..	..	118¼	100⅛	119	115⅜	117⅞	7
Stromberg Carb.	..	..	45¼	21	118⅛	22⅛	84⅞	54½	65	8
Studebaker	49½	15¾	195	20	151	37¾	38⅜	30½	38	4
Do. Pfd	98⅛	64½	119½	70	118¼	76	115	110	†114½	7
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6¼	9¾	6¾	†7¾	..
Texas Co.	144	74½	242	112	57¾	29	45⅜	37¾	39	3
Tex. Pac. C. & O.	..	..	..	..	195	5½	15¼	8⅝	†8⅜	..
Tobacco Prod.	145	100	82⅜	25	115	45	70½	53	61¼	6
Transcontl. Oil	..	..	..	..	62⅜	1¼	6¼	3¾	4⅝	..
United Fruit	208½	126½	173	105	224⅞	95¾	201¼	182	201	10
U. S. Ind. Alco.	57⅛	24	171½	15	167	35¼	83⅜	61⅛	73	..
U. S. Rubber	59½	27	80½	44	143¾	30⅜	42⅞	22½	28⅝	..
Do. Pfd	123½	98	115¼	91	119½	74	94¼	66½	79⅞	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	18⅜	23⅞	18½	22	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	100	94¼	100¾	‡5
Do. Pfd	131	102½	123	102	123½	104	122½	118⅜	122¼	7
Utah Copper	67⅝	88	130	48½	97⅝	41⅛	72	64	70⅞	4
Vanadium	..	..	..	..	97	24⅜	33½	19½	22½	..
Va.-Caro. Ch.	70¾	22	60¼	15	92½	6¼	10⅜	¾	†1⅜	..
Do. Pfd	129½	62	115⅜	80	115⅞	17	34⅜	2½	4¼	..
Western Union	36⅛	56	105½	53⅜	121¼	76	118	105	†108⅞	7
Westinghouse Mfg.	45	24¾	74⅞	32	67⅛	38⅞	65	55⅛	62½	4
White Motors	..	..	60	30	86	29¼	59⅜	50½	55	4
Willys Overland	*75	*50	*325	15	40⅜	4½	14⅜	6⅞	8⅜	..
Wilson Co.	..	..	84¼	42	104⅞	19	28	4½	7⅛	..
Woolworth	177⅞	76⅜	151	81½	290	100	120½	72½	112¾	3

* Old stock. † Bid price given where no sales made. ‡ Not including extras.

ANSWERS TO INQUIRIES

(Continued from page 469)

a relatively high-cost producer and a switch into Kennecott, which is one of the lowest cost producers and has enormous ore reserves, would be advisable. Miami Copper is a fairly low-cost producer, but the life of the property is limited and we consider there are better opportunities elsewhere. A switch into Kennecott would be good judgment, but in order to diversify your holdings more, we suggest a switch into Chile Copper which is also one of the lowest cost producers and has large ore reserves. Both Kennecott and Chile are in a position to show substantial profits with the metal even at present low levels and should be able to maintain the present dividend rates.

BURNS BROTHERS

Just Earning Dividend

I am interested in Burns Bros. B stock and have been pleased to note that this issue has been advancing in price. Do you believe the advance could be due to market conditions or are the affairs of the company improving? Do you regard the stock as a good security to hold for the long pull?—S. R., Mt. Vernon, N. Y.

For the year ended March 31st, 1924, Burns Brothers reported a net profit of 1.3 million. After deducting preferred and common dividends there remained a balance of $49,000. This is an improvement over the preceding year when the company failed to earn the $2 dividend on the B stock, profits having only amounted to $1.18 a share. The balance sheet as of March 31st, 1924, shows a strong financial condition, cash and government securities on hand totalling 2.6 million and the company being entirely free of bank loans. Earnings so far this year have shown some improvement as compared with the same months of 1923 and in view of the good financial condition of the company it is our opinion that the present rate of $2 on the B stock can be maintained. The recent advance in the stock has probably been in sympathy with the general strength of the market, although we should say at present prices of 25 returning 8% it is not selling too high. We believe the stock has prospects of ultimately selling higher, but in our opinion International Combustion Engineering paying $2 a share per annum and selling around the same price is a better holding.

FAIRBANKS COMPANY

Liquidating Its Inventory

I note that the Fairbanks Company earnings continue very poor and I am wondering if there is any use of my continuing to hold the stock, which shows me a large loss. Is there any prospect of the company ever making any money? If it should liquidate and go out of business how much would be left for the common shareholders?—N. S., Philadelphia, Pa.

The Fairbanks Company at the close of 1920 had piled up an inventory of 7.8 million and has been liquidating this in-

ventory as rapidly as possible. In view of the decline in prices since the close of 1920 the company has had to accept very heavy losses on this inventory and this accounts in part for the unsatisfactory earning statement over the past three years. Balance sheet as of December 31st, 1923, shows current assets of 2.4 million as compared with current liabilities of 4.1 million. Coming ahead of the 1.5 million common stock is 1 million 8% first preferred and 2 million 8% second preferred. If the company, therefore, liquidates and goes out of business it appears improbable that there will be anything left for common shareholders. On the other hand, if the company stays in business additional working capital will have to be raised and we do not see how this can be accomplished except at the expense of stockholders which would mean an assessment. The outlook for common stockholders appears decidedly gloomy and we do not consider the common stock worth retaining.

TRADE TENDENCIES

(*Continued from page* 472)

doubted. Hence it would seem that, until something of a reverse nature occurs, cotton is likely to rule at somewhat lower levels than heretofore.

METALS

Copper Unsettled

The copper market seems wholly lacking in definite trend. Prices and demand have been moving aimlessly in a narrow range for weeks and there is no suggestion of an early break in this deadlock. Should there be one, however, it is more likely to be on the downside than on the up since the red metal industry is still in a weak fundamental position.

Despite the slowing down of industry in general, domestic consumptoin of copper may be classed as satisfactory. The broad underlying trend of home demand is undeniably upward in keeping with the normal growth of the country and expansion in the field of copper's usefulness. Foreign buying, while more recently stimulated by a better political feeling in Europe, remains very much restricted. It is probable that no great improvement may be looked for in this direction for some time to come inasmuch as few, if any, of the larger European consumers are financially able to purchase extensively.

The early year move to curtail production, heralded at the time as a remedy for the industry's ills, has fallen flat, primarily because too many small operators have refused to participate. Thus copper is still suffering overproduction. Until a definite reduction in output is effected there can be no real or lasting recovery.

Current Bond Offerings

Heavy Absorption of New Bond Issues

THERE was a large outpouring of new bonds during the past two weeks, public utilities leading the procession. Giving new interest to the market was the increase in foreign issues. There was a notable dearth of tax-exempt issues. Industrials were few, the two principal ones being the 15 million dollar issue of Atlantic Refining 3-year notes and the 3 million dollar issue of 5-year notes of the White Eagle Oil & Ref. Co.

The situation is featured by continued absorption by investors of new issues, and it is reported that hitherto undigested securities have found a final resting place in investors' strong-boxes. Plans are being laid for large issues of public utility and railroad bonds. Unquestionably, the basis for this has been laid in the excellent market action of the leaders of both groups.

Money rates continue favorable for corporate borrowings, and this year is likely to set a new high record in this regard.

NEW BOND OFFERINGS

STATE AND MUNICIPAL	Amount	(%) Yield Off'd
Harris Co., Texas	$1,000,000	4.70
Seattle, Wash.	1,500,000	5.00
Winston-Salem, N.C.	3,491,000	4.00-4.50 4.15-4.55
Tonawanda, N. Y.	1,043,000	4.00-4.20
FOREIGN		
Greater Winnipeg Water District, Canada	$1,040,000	4.70
City of Trondhjem, Norway	2,500,000	6.85
Kingdom of Hungary	7,500,000	8.85
RAILROAD		
Miss., Kansas & Texas R. R.	$4,750,000	4.00-5.25
Rutland R. R.	825,000	4.50-5.50
Florida East Coast R. R.	1,875,000	5.05
Cuba Northern Rys.	4,500,000	6.75
PUBLIC UTILITY		
Pennsylvania-Ohio Pwr. & Lt.	$18,000,000	5.65
North Amer. Lt. & Pwr.	6,300,000	7.00
Northern Indiana Gas & Elect.	4,500,000	5.75
Utica Gas & Elect.	3,300,000	5.50
Pennsylvania-Ohio Pwr. & Lt.	2,700,000	6.25
INDUSTRIAL		
Atlantic Refining	$15,000,000	4.50-4.75
White Eagle Oil & Ref.	3,000,000	5.72

ARE PERSONAL BUDGETS WORTH WHILE?

(*Continued from page* 464)

as Expense Accounts. They should not be required to account for every penny coming in and going out. Nor should they be considered iron-clad expense schedules which cannot be deviated from or altered in any way. The most any Budget can be is an *approximate allotment of income based on an estimated outgo.* Obviously, then, the ideal Budget is an instrument of the greatest possible flexibility, such as may be readjusted in whole or in part at any time, and in any measure, according to circumstances. To base a Savings Program upon a given budget and then to drop Budget Savings Program and all just because of unexpected developments for which the Budget may have made no provision is childishness, pure and simple.

Once the Budget Plan is adopted in the manner described above, we believe it can be a tremendous force for constructive progress in almost any family. And anyone who classes that as an overstatement should drop in some day and look over our mail.

Here's a letter from an employe of the Steel Corporation who has a wife and three children to support on his total income of $3,532 a year. He's in debt now to the extent of $2,000 borrowed from the bank. He asks us to analyze his affairs and let him know what we think of his situation.

Out come the Budget blanks. Alongside each item (for "Food," "Shelter," etc.) down go the figures based either on this man's fixed charges, as they now exist, or else, where the charges are not fixed, on the prevailing living costs. The result is summed up. It proves that, without exaggerated allowances for individual items, the total leaves nothing for insurance or savings.

What's the result? Well, by putting this man's affairs down in black and white, we are able to shock him into a realization of the doubtful future he faces. He gets an unanswerable argument in favor of Thrift. He realizes that, for his own sake, and the sakes of those dependent upon him, the time has come for some drastic action.

What's the result after that? We don't know. It depends on the man. But, if he's the sort of man we think he is, there can only be one result, and that a worth-while one: Instead of struggling along in the future, not quite sure just how he stands, this man will have, in his Budget, an exact picture of his position. Instead of "taking a chance" on making both ends meet, he will realize just how much he must cut down on outgo, just how much he must increase income. Instead of mildly suggesting to his two oldest children—boys, one of them eighteen —that they keep down expenses, he can now hold a family council ,put the budget face up on the table and say, "Here's our situation. It's a bad one. Now, what are

we going to do to remedy it?" At first, we dare say, there will be much weeping and wailing and gnashing of teeth. Then there will be the decision to submit to the inevitable. Then there will be a new sense of responsibility, shared by every loyal member of the family, which will drive each one into doing his share to help. And, eventually, there will be a rearrangement which will put this home on the sound financial basis it deserves to enjoy.

Without a Budget to prove, beyond question, the importance of such action, the action would probably never be taken. With a Budget, it's ten to one that the action will be taken. Perhaps it won't be possible for the family to live within the Budget, as drawn, for months, even years to come; but each day will see the goal a little nearer, and sooner or later it will be safely reached.

Doesn't that make the Budget worth while?

ELEVEN ATTRACTIVE RAILROAD SECURITIES

(Continued from page 444)

tions of existing systems. Others will in all probability suffer because of such combinations, for one thing, because of the greater competition that will exist in particular instances. A Rock Island-Southern Pacific combination might easily mean serious competition for the Atchison, and such contingencies are not to be lightly considered.

It is also worth while to weigh the prospects and present operations of each rail group separately. Although the Northwestern carriers are currently showing substantial declines in gross, they are likely to benefit to quite some extent from the improved outlook for the grain-growing communities. Several of the Northwestern carriers have gotten their expense accounts so well under control that earnings are now satisfactory in spite of reduced revenues. Whereas the Great Northern reported a decline in gross for the first five months of the current year, net operating income increased by 1.4 million dollars which is not a bad showing in consideraton of the fact that last year's net came to $7.25 a share.

The security buyer should not be deceived into buying the stock or bonds of a road merely because it has shown a sudden spurt in earnings, and in this respect attention is called to such systems as the New York, New Haven and Hartford. While this road continues to make the best relative showing of any of the Eastern lines, it is still in an uncertain position due to weak financial condition. Furthermore, even present earnings are not greatly in excess of interest charges and the margin of safety is small, which makes it too speculative to purchase a junior bond issue such as the Convertible Debenture 6s of 1948 which are now selling to return 8.60 per cent to maturity. The Adjustment Mortgage 6s of the St. Louis and San Francisco Ry. Co. yield nearly as much and have a far better record as well as better prospects.

UNLISTED UTILITY BOND INDEX

(IN ORDER OF PREFERENCE)

POWER COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Appalachian Power Co. 7s, 1936 (Non-Callable)	B	103	104	6.70
Penn.-Ohio Power & Light 8% Notes, 1930	B	103	104½	6.90
Indiana Power Co. 7½s, 1941	B	100	102½	7.20
Tennessee Power Co. 1st 5s, 1962	A	90	92	5.40
Appalachian Power Co. 1st 5s, 1941	A	94¾	95½	5.35
Alabama Power Co. 1st 5s, 1946	A	95½	96½	5.25
New Jersey Power & Light 1st 5s, 1936	B	90	93	5.80
Parr Shoals Power Co. 1st 5s, 1952	B	88	90	5.70
Nebraska Power Corp. 1st 5s, 1949	A	95	96½	5.30
Hydraulic Power 1st & Imp. 5s, 1951	A	99	100	5.00
Union Elec. Light & Power Co. 1st 5s, 1933	A	97	98	5.25
Idaho Power Co. 5s, 1947	A	93	94	5.60
Texas Power & Light Co. 1st 5s, 1937	B	94	95½	5.50
Ft. Worth Power & Light 5s, 1931	A	98	99	5.20
Central Ga. Power Co. 1st 5s, 1938	B	90	92	5.80
Electrical Development of Ontario 5s, 1933	A	95½	97	5.40
Adirondack Electric Power 1st 5s, 1962	A	98	99	5.05
Carolina Power & Light 1st 5s, 1938	A	98	99	5.10
Madison River Power Co. 1st 5s, 1935	A	98	99	5.05
Shawinigan Water & Power 1st 5s, 1934	A	100	101	4.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A	105	106	5.40
Consumers Power Co. (Mich.) 1st 5s, 1936	A	98	98½	5.10
Salmon River Power 1st 5s, 1952	A	98	99½	5.20
Great Western Power Co. 5s, 1946	A	94½	95¼	5.30
Mississippi River Power 1st 5s, 1951	A	95½	96¼	5.25

GAS AND ELECTRIC COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Burlington Gas & Light 1st 5s, 1955	B	84	87	5.90
Twin State Gas & Electric Ref. 5s, 1953	B	80	82	6.30
United Light & Railways 6s, 1952	B	95	96½	6.20
Tri-City Railway & Light 5s, 1930	B	94	96	5.80
Bronx Gas & Electric 1st 5s, 1960	A	90	92	5.65
Dallas Power & Light 6s, 1949	A	101	102½	5.80
Portland Gas & Coke 1st 5s, 1940	B	93	95	5.45
Denver Gas & Electric 1st 5s, 1949	A	96½	98	5.25
Indianapolis Gas Co. 1st 5s, 1952	B	90	92	5.45
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A	96	97	5.20
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B	102½	104	7.05
Evansville Gas & Electric 1st 5s, 1932	B	95½	96	5.90
Cleveland Elec. Ill. Co. 5s, 1939	A	99½	100¼	5.00
United Light & Railway 5s, 1932	B	91½	93	6.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C	70¾	71¾	7.25
Houston Light & Power 1st 5s, 1931	B	97½	98½	5.30
Nevada-California Electric 1st 6s, 1946	B	93½	95	6.25
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B	96	97	5.60
Rochester Gas & Electric 7s, Series B, 1946	B	108	109½	6.20
Syracuse Gas Co. 1st 5s, 1946	A	95	96½	5.25
Buffalo General Electric 1st 5s, 1939	A	99¾	100	5.00

TRACTION COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Galveston-Houston Electric Railway 1st 5s, 1954	B	81	84	6.20
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B	93½	95	6.55
Northern Ohio Traction & Light 6s, 1926	B	97	98½	7.00
Knoxville Railway & Light 5s, 1946	C	88	90	5.80
Columbus Street Railway 1st 5s, 1932	B	90½	93	6.15
Kentucky Traction & Terminal 5s, 1951	C	75	75½	7.05
Detroit United Railway 1st Coll. 8s, 1941	B	106	107	7.30
Nashville Railway & Light 5s, 1953	B	92	95	5.30
Memphis Street Railway 5s, 1945	C	73	75	7.20
Schenectady Railway Co. 1st 5s, 1946	C	50	54	10.30
Topeka Railway & Light Ref. 5s, 1933	B	87	89	6.60

HOLDING COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
American Power & Light 6s, Series A, 2016	B	93½	95	6.30
Standard Gas & Electric Co. 6s, 1935	C	89½	91	7.25
Penn.-Ohio Edison 6½s (notes), 1927	C	98	100	6.50
General Gas & Electric s. f. 7s, 1952	B	97	101	6.90
American Gas & Electric 6s, 2014	B	95	96	6.10
Middle West Utilities 8s, 1940	A	105	107	7.40

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Bid Price	Asked Price	*Yield
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A	96¾	97¾	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A	94½	96½	5.35
Ohio State Telephone Co. Ref. 5s, 1944	A	95½	97	5.35
Western Tel. & Tel. Collateral Trust 5s, 1932	A	96	98	5.35

* Yield computed at the asked price.

HOW DOES A BANK SHOW STRENGTH?

(*Continued from page* 471)

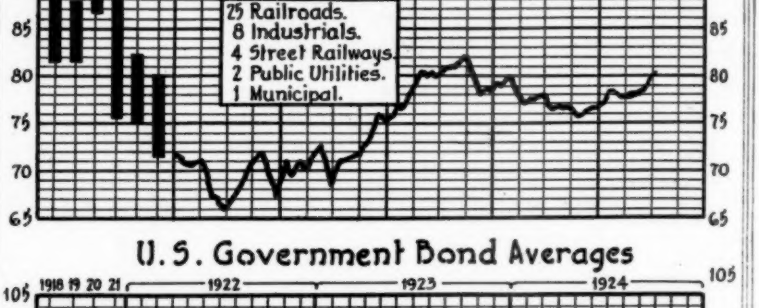
institution is, however, not to be criticized on the score of the amount of funds carried in securities, for it will be noted that they are only about 30 per cent of its time certificates of deposit. Indeed, the most severe criticism to be made on both of these banks would probably be that, whereas they are carrying a large part of their deposits on time or in savings account, so that these accounts apparently represent savings and not business funds, they are carrying so small an amount of their resources in the form of securities and so large a proportion in the form of current loans and discounts.

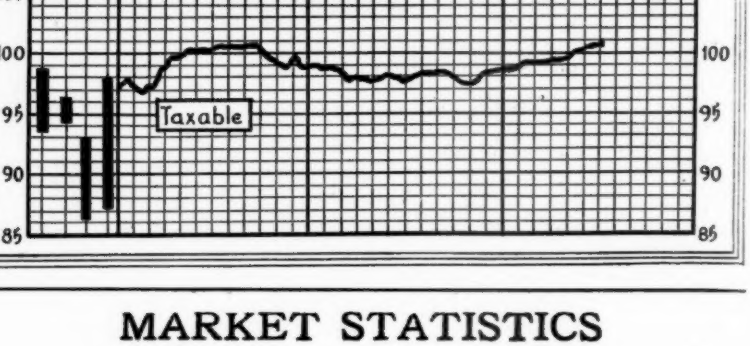
While the fact that their demand deposits are as small as they are means that a large part of their loans and discounts might very properly be made on long term, it also means that the savings of the community are being put into current business uses, much of the paper which represents them being presumably (as in most banks) unsecured. But there is little to choose between the two banks in this respect, notwithstanding that, as already stated, the position of the large institution is apparently more conservative than that of the latter because it has more than $111,000 in securities.

Some other features of these two banks are worthy of comment. An interesting feature of Bank 1 is to be seen in the comparatively large amount of money which it carries, presumably with other banks. In speaking of its liquid condition early in this article, this item has been referred to practically as if it were all cash. There is nothing in the statement to show what proportion of it is in cash and what proportion in accounts with other banks, but the fair assumption is that a large share of it is in the latter form.

Undoubtedly the same condition exists with Bank No. 2, since there is no more reason to suppose that its cash position is represented by actual money than there was in the case of the larger institution. It may be assumed therefore that both banks are on much the same footing as regards the cash on hand and accounts with other banks. In both, therefore, an element of doubt must exist in the minds of the observer who does not know the names of their banking correspondents. If these items, which are accounted as cash, are kept with perfectly strong and solvent institutions, there is no more to be said. If such other institutions are "tied up" or unlikely to be able to pay large checks on demand, the situation is very different, and if one bank were connected with absolutely gilt-edged correspondents while the other were connected with correspondents whose ability was questionable, a serious element of disadvantage would exist against the bank with the weaker correspondents. Such matters, however, are conjectural, of course, and need not be considered, since there is no evidence one way or the other, and it must therefore be assumed that the balances

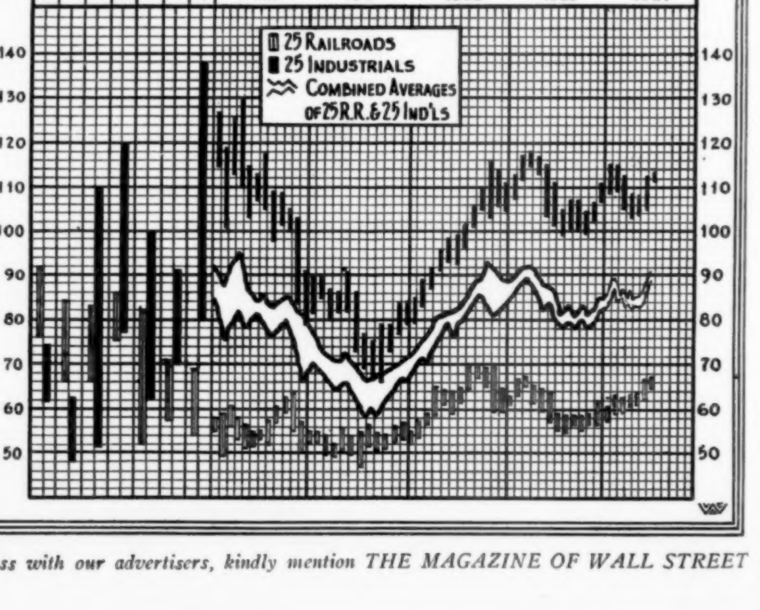
(*Please turn to page* 487)





MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y. Times 50 Stocks High	N.Y. Times 50 Stocks Low	Sales
Thursday, June 26......	80.58	94.71	86.41	88.85	87.67	1,065,800
Friday, June 27.........	80.66	95.33	86.22	89.37	88.32	949,920
Saturday, June 28.......	80.70	95.55	86.11	89.21	88.59	501,735
Monday, June 30........	80.64	96.37	85.80	89.52	88.44	788,040
Tuesday, July 1.........	80.58	96.45	85.83	89.65	88.74	905,429
Wednesday, July 2......	80.54	96.38	85.78	89.65	88.81	847,969
Thursday, July 3.......	80.48	96.48	86.00	89.28	88.47	678,406
Friday, July 4...........	HOLIDAY					
Saturday, July 5........	80.53	96.43	86.16	89.31	88.97	211,101
Monday, July 7.........	80.71	96.91	86.66	89.87	89.08	627,799
Tuesday, July 8.........	80.71	97.56	87.27	90.53	89.74	881,414
Wednesday, July 9......	80.69	97.40	87.32	90.58	89.59	914,161



(*Continued from page* 485)

with other banks are recoverable at sight otherwise the bank examiners would have taken exception to them. Neither bank carries any item as "due to banks," hence may be regarded as owing nothing to other banking institutions on demand, and neither reports any discounts or other borrowings so that the position of both appears to be very strong. The item Cashier's Checks representing liabilities immediately payable is negligble in both. The smallness of cash items and checks in both reveals a policy of prompt collection.

This question which is always asked with reference to institutions which are compared with one another never can be answered finally because of the elements of doubt which no bank statement can show. In the case under consideration, these elements are principally (1) the character of the loans and discounts and their collectibility, and (2) the character of the correspondent banks which are holding probably the larger amount of the immediate resources of the two institutions. Assuming, in the absence of other evidence, that the loans and discounts, securities, and correspondent banks, are of about identical quality in both cases, the principal basis of choice between the two institutions is to be found in their relative size and strength and hence in their capacity to bear losses if any. This principle of comparison naturally throws the observer back upon the question of capital already considered at an earlier point, because in other particulars the two seems to offer little choice, and leads him to prefer the larger of the two institutions. In fact it is to be noted that in the case of the smaller the total deposits amount to over $255,000 or more than ten times the capital and surplus which is reported. In the case of the larger, the deposits amount in the aggregate to only a little over six times the capital resources. It is a general, and on the whole sound principle or rule of thumb in American banking, that as the demand deposits increase in proportion to capital, the security or protection of the depositor grows less, and that when a figure of ten times capital and surplus is passed by the deposits the bank is reaching a stage in its development wherein capital and surplus is not quite large enough to furnish the protection that ought to be given to creditors. Of course, there are many able and well managed banks that have much more than ten times their capital and surplus outstanding in deposits. Nevertheless, as between two banks equally well managed, one of which has more the other less than ten times their capital and surplus in deposits, the presumption on the side of safety is in favor of the bank with the smaller deposits.

Working on these accepted theories, and bearing in mind the corrections to which they are naturally and inevitably subject, the comparative advantage would seem to be distinctly on the side of the larger of the two institutions whose balance sheets have just been analyzed, although both present an excellent statement appearance so far as surface indications are concerned.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Allied Packers	2½— 3½
Pr. Pfd.	24 — 26
American Arch (5P)........	83 — 86
American Book Co. (6).....	98 —100
American Cyanamid (4P)...	98 —103
Pfd. (6)	72 — 74
Amer. Thread pfd. (5%)...	4 — 4⅛
Amer. Type Founders (7).x	97 — 99
Pfd. (7) x	98 —100
Atlas Portland Cement (4)..	84 — 89
Babcock & Wilcox (7)......	117 —119
Borden Co. (8)............	121 —123
Pfd. (6)................	102 —104
Bucyrus Co.	66 — 69
Pfd. (7A)	96 —100
Celluloid Co. (6)..........	49 — 53
Congoleum Co. pfd. (7)....	95 — 98
Crocker Wheeler	22 — 27
Pfd. (7) x	70 — 75
Cushman's Sons, Inc. (3)...	40 — 44
1st Pfd. (7)............	98 —102
2nd Pfd. (8)............	95 —100
Eisemann Mag. pfd. (7)....	43 — 47
Franklin Rwy. S.	80 — 90
Ide (Geo. P.) & Co., Inc.....	10 — 15
Pfd. (8B)	80 — 85
Jos. Dixon Crucible (8).....	133 —136
Ingersoll Rand (8P)........	230 —250
Johns-Manville, Inc. (3P)...	104 —108
McCall Corp'n	52 — 56
Pfd. (7B)	113 —118
Merck & Co. pfd. (8).......	61 — 64
National Fuel Gas (5P)....	99 —101
Nat'l Licorice Co. (5P).....	75 — 85
Pfd. (6)	75 — 85
New Jersey Zinc (8P)......	142 —147
Niles-Bement-Pond	34 — 37
Pfd. (6)	.. — 75
Phelps-Dodge Corp'n (4)...	100 —110
Poole Engin'g (Maryland):	
Class A..................	18 — 21
Class B..................	14 — 18
Purity Baking Co. (3)......	40 — 44
Richmond Radiator Co......	14 — 17
Pfd.	72 — 80
Royal Baking Powder (8)..	130 —135
Pfd. (6)	98 —100
Safety Car H. & L. (8).....	105 —112
Savannah Sugar (6)........	62 — 67
Pfd. (7)	83 — 86
Sheffield Farms (6).........	105 — ..
Pfd. (6)	89 — 94
Singer Mfg. Co. (7).........	143 —146
Superheater Co. (K)......x	98 —103
Technicolor, Inc.	8½— 9½
Thompson-Starrett (4)	70 — ..
United Bakeries	70½— 71⅞
Pfd. (8)	95 — 96½
Victor Talking Mach. (8)...	125 —130
Ward Baking "A"..........	93½— 96
Ward Baking "B"..........	22¼— 22½
Pfd. (7)	86¾— 87½
White Rock (K)...........	9½— 10½
2nd Pfd. (5)............	50 — 55
1st Pfd. (7).............	82 — 87
Yale & Towne (4P)........	63 — 66

* Dividend rates in dollars per share designated in parentheses.
P—Plus Extras.
A—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.
B—In arrears 16%.
x—Ex-Dividend.
K—Dividend rate on this stock not established.

THE improved tone of Over-the-Counter stocks noted in the previous issue attracted substantial investment buying, and numerous important price changes were recorded.

Baking stocks were among the chief features, Ward, United, Purity and Cushman being strong and increasingly active. The extent of the buying in these issues is indicated by the price advances recorded. In the last 4 weeks, Ward "A" has gained 25 points and Ward "B" about 6 points; United Bakeries common in the last two months has moved up from 55 @ 60 to above 70, while this company's preferred stock in the last month has gained 8 points.

Another wide advance occurred in Ingersoll Rand, which was quoted 230 bid against the bid price of 180 two weeks ago. Bucyrus continued the steady advance which has been commented on frequently in this column.

Strength and activity in the Over-the-Counter market, reflected in the above advances, is not surprising. The better-grade companies represented in this market are, in many cases, doing better this year than in 1923, their securities in the recent weeks of dulness became firmly lodged in investment hands and investment sentiment generally has improved.

Some Preferred Stock Opportunities

The investor-buyer of Over-the-Counter stocks might do well to consider some of the preferred stock opportunities which this market now affords. Among those that appear more attractive are Cyanamid preferred, to yield about 8.25%; Congoleum preferred, to yield about 7.20%; and White Rock 2nd preferred to yield a minimum of nearly 10%. These issues, incidentally, enjoy a reasonably active market and are in the class of business men's investments.

The appeal of Cyanamid preferred includes its yield of more than 8%, the greatly increased scope of the company, its obviously capable management and the wide margin of earnings over requirements. For the year to June 30, 1923, Cyanamid earned slightly more than $33 per share on its preferred stock, or 5½ times dividend requirements. In the year just closed (Cyanamid's year ends June 30th) earnings were probably about the

same as in 1923, and no reason appears why this diversely occupied corporation should not maintain the same rate of earnings in the future. The company has no funded debt, enjoys a strong financial position, and its preferred shares, beside the cumulative feature, are not retirable below 120 except through purchase in the open market.

Congoleum preferred is a $1,805,100 issue, following a funded debt as of December 31, last, of $2,885,300. Its surplus equity is figured at more than $610 per share, and its dividend requirement of less than $127,000 compares with available earnings last year of more than $4,636,000. In other words, this preferred dividend was earned more than 36 times last year. In the current year, according to information received, Congoleum's available earnings (based on the returns so far) are likely to approximate $7,000,000, in which event the margin of safety for the preferred dividend would be even further widened. Altogether, the issue possesses strong attractions for the investor. It is cumulative as to 7% dividends and is callable on 30 days' notice at 107.

White Rock 2nd preferred seems attractive from the speculative as well as investment point of view. Its investment attractions are represented by the strong financial position of the company, its limited needs in respect of working capital and the wide margin of earnings over dividend requirements. Its speculative attractions are represented by participating feature which entitles it to share pro rata with the common after the latter has received dividends of $1 a share.

The White Rock Co. has been described before in this department but some readers may not be familiar with its upward earnings trend. Net earnings after taxes in 1922 were $677,746; in 1923, $776,178; and in the current year a further improvement is expected. Taking the 1923 earnings figure ($776,178) for purposes of analysis, it is noteworthy that, after 1st preferred dividends of $140,000, there was a balance of $636,178 for the 2nd preferred and common—a sum equivalent to $63.62 per share on the 10,000 shares of 2nd preferred, or 9.25 times the $5 dividend rate.

Equity of 2nd Preferred

The equity of the 2nd preferred in net earnings, after deducting the 2nd preferred dividend of 5% and a common stock dividend of $1 per share, is one-fourth that of the common stock (the present common stock representing a split-up from the 40,000 shares formerly outstanding). On the basis of a balance available for pro-rata distribution over the 2nd preferred and common of $367,428 then, the 2nd preferred could participate up to $73,000, roughly, or $7.30 per share, which would bring its total potential dividend participation (including the regular 5%) up to $12.30 per share. On the same basis, incidentally, the common stock could participate, in toto, up to $2.10 per share.

HOW TO INCREASE YOUR INCOME IN A LOW MONEY MARKET

(*Continued from page* 440)

4¼%, the difference between the two rates being due to the carrying charges. Some brokers may charge a little less and some a little more, but 4¼% is about the average.

Since in each of the two examples given, the investor merely deposits part of the purchase price—as margin—the net income which he receives after paying all his charges is equivalent to the yield on his *own invested capital* and not on the actual price of the security. For example, in the case of Realty preferred, the investor deposits a margin of $2,000. His net income, figured annually, after deducting all charges, is $317.50. This amounts to 15.8% on the $2,000 invested. In the case of the bond, the net income on the $1,500 invested is $232.42, or a yield of 15.4%.

The yield is figured annually, of course. *It should be noted that these yields can be secured only as long as the carrying charges remain the same.* The one thing the investor can with practical assurance count on is the dividend received from his preferred stocks and the interest received from the bonds. Both examples given are sound issues, and it is reasonable to suppose payments will be continual. The carrying charges, however, may vary, especially if the money market should advance. This is a most important consideration.

However, the outlook is such that one may with almost complete confidence rely on continuation of low money rates. If, on the other hand, one should not be so confident of the outlook for money rate then the thing to do is to borrow from a bank for 6 months or more, if possible at a rate as close to 4¼% as can be secured. Since time money for 6 months is quoted at 3½% ,it should not be a difficult matter to borrow at 4¼% or at least at 4½% on adequate collateral, preferably securities. Even the latter figure would give a profitable basis of operations and since the funds could be secured for 6 months or more, the investor could definitely count on having a higher income in that period than he might ordinarily secure.

Only Sound Securities Should Be Selected

Obviously, some regard must be given the fluctuations of the security purchased, for there would be no point in going through the process suggested, if at length the security had to be sold at under the purchase price. *For that reason, only sound securities which do not have violent fluctuations should be considered.*

The main point is that in the manner described, it is possible to make the "other fellow's" money work for you. For example, if the investor merely contented himself with buying $2,000 worth of realty preferred stock instead of using this sum as a margin, he could only buy 20 shares, roughly, which would give him dividends of $140 annually or only about 7% on his invested capital. By using his

capital as margin, he is able to make about 15% on his capital. The same is true in the case of the bond.

Generally speaking, for such purposes it is better to buy bonds than preferred stocks because interest received from bonds dates from time of purchase whereas preferred dividends being paid quarterly, one might lose time in waiting for the next payment after the purchase was made. Still, if the dividend is due shortly after the purchase is made, there is no real disadvantage to the investor.

In a situation such as the present, there is no reason why the investor should not consider the advisability of borrowing. Of course, if he applys to his bank he must present adequate collateral. If he borrows from his broker, no collateral is needed, but he must be in good financial standing as a customer. Where these conditions exist, the investor should place himself in a position to take advantage of the opportunities offered.

It should be realized, of course, that this is at best a more or less limited opportunity, that money rates will not forever be low and that the conditions outlined will hold good for probably not more than six months or a year. Nevertheless, even this period is worth considering and the opportunity presented worth the attention of alert and thrifty investors.

BUILDING A FORTUNE BY KEEPING IN DEBT!

(*Continued from page* 465)

to everyone but, in my case, it has worked out happily. I do not have to steal time from my practice to attend to business. I do not even have to sign papers as I would if I kept things in my name. My wife does all the banking, keeps accurate account of what we take in from my profession as well as from our investments, makes out the income-tax returns and settles all other bills. This gives me freedom, as I have said, to devote all my energies to my profession which is engrossing enough.

What time I have to give to business I spend in keeping track of the bond market which affords me my greatest interest outside of my regular work. I read THE MAGAZINE OF WALL STREET carefully and also the financial page in two daily papers. Several bond houses send me their monthly lists by mail and some of their representatives visit me regularly to talk over their choice holdings and bargains in bonds .

I never buy many at a time or many of one kind but there is never a month goes by without our adding to our list of first-class bonds which are selected with the idea of stability rather than of high interest. We hold a good proportion of government and municipal bonds which keep down our income tax even if the interest rate is less. We have divided these latter for safety so that they represent different sections of the country and many large cities both east and west. When I buy a corporation or public utility bond I choose a first mortgage or under-

lying issue which would be good even if the company got into difficulties.

I do not buy with the idea of selling again but I have occasionally made small profits by disposing of certain bonds which had gone up several points and buying others of the same standing which happened to be low. During the period of low prices around 1920 I invested heavily—saving every dollar from my income to do so and going into debt more than usual, for I realized that such an opportunity comes only once in a lifetime. All those bonds have appreciated greatly during the last two or three years. I do not intend to sell them, however, for they yield a higher rate on the investment than any I could purchase at the present price.

Now that bonds are not yielding such a high interest and since we have a good backing of that kind of investment we are inclined to put our present savings into loans on real estate. During the last year we have taken out some first-class seven per cent mortgages (or rather deeds of trust), although we are still buying bonds, too, as attractive ones are presented.

Stocks Don't Appeal

For years I never invested in any stock whatever but, in 1922, after studying the market as carefully as I could and taking expert advice I bought half a dozen varieties of recommended stock. Most of these I sold at the end of the same year making a small profit but I realize that I am too conservative to make much money in that way.

We have one child who is now attending college and we have always lived comfortably but not extravagantly. Our prosperity has not been due, as one can see, to any special luck but to gradual, steady savings, and to the important fact that we have lost practically nothing in risky investments. I know plenty of men in my profession who apparently make as much as I do but who have very little real property to show for it. They usually have a large overhead expense which eats up their earnings and when they do save anything they invest it in some wildcat scheme that swallows up their capital at one gulp and calls for more.

I have never expected great returns but I know what compound interest will do in the course of twenty years, and when two people form a partnership such as we have to keep every dollar working the way these dollars grow is surprising. At the beginning of every year we add up our holdings to see how much they have increased during the past year. For a long time we added $10,000 a year and thought we were doing well but lately, it has been $20,000 and we have worked no harder and have been more liberal in our expenditures. It is the old story of rolling a snowball.

The chief considerations in building a fortune, I should say, are the conservation of principal so that one will not suffer any loss of capital, the keeping of this capital well invested, and the habit of persistently adding to it by saving part of one's income.

HOW VALUES ARE CHANGING IN INVESTMENT SECURITIES

(Continued from page 437)

tative one, which has not changed materially in intrinsic value. In each group, a rail, public utility and industrial have been included. Under the high-grade bonds, it will be seen that all three issues sold on an average lower yield basis in 1916 than at the present time, but on the other hand the difference is not large. **Much has already been discounted in the way of easy money conditions, in both high-grade bonds and preferred stocks.**

Among middle-grade bond issues, a greater difference exists in present and past yields. Compared with a present average yield of about 5.50%, the return in 1916 was but 4.80% figured on the average prices prevailing during that year. The return would have been much lower computed on the basis of highest prices as can be seen from the accompanying statistics. As previously stated, buying has not yet centered in this class of security to any great extent and some of the disparity in return at least will no doubt be eliminated before the bond trend again turns downward. The same is true of the middle-grade preferreds which are now selling at prices to yield somewhat more than in 1916.

It must be considered that the market price of stock issues depends to a great extent upon the margin of safety in earnings from time to time as well as money conditions, but even so, there has been no change on this score. Practically all those companies whose preferred stock issues are included in the accompanying table show earnings for the past year and prospective earnings for the current year as satisfactory as in 1916. For example, the preferred stock of the Baltimore & Ohio which is a middle-grade issue and fairly well represents the market range of this group has a much greater equity in earnings at this time as in 1916 and yet the available yield has risen from 5.25 to 6.60 per cent. Of course it may be said that during several intervening years the road did not earn its dividend requirement but that does not affect the present situation in the slightest and should not mean such a disparity in yield. It will be noted that all the preferred issues given in this article sold at prices considerably higher in 1916 than where they are now quoted.

Common Stock Yields Are High

The most obvious disparity in yield in comparison with money rates exists among the better class of common stocks, and in all three major branches of industrial activity. There are several railroad issues which appear to be markedly out of line. New York Central common and Union Pacific common offer good examples. Both of these are selling on a much higher yield basis than they have in the past when money conditions were similar and what is more, the companies earned large amounts per share in the past year and this year's earnings will be entirely satisfactory. Either these securities were quoted grossly out of line in 1916 or else

they are entitled to much higher prices at the present time. It would appear to be a little of both.

Then there are the public utilities, which enjoy the almost universal opinion of prosperous times ahead. Their securities do not entirely reflect such an opinion, judging from past circumstances. The yields which may be secured are a great deal higher than in that period eight years back when money conditions were likewise very favorable to high prices and low yields. Even a number of industrial common stocks having real invesment merit and whose earnings are relatively favorable, may be said to be selling on an unwarrantedly high yield basis.

General Outlook Favorable

The financial markets appear to have reached that point where no investment security groups are likely to suffer a serious decline for several months to come at least. Many will establish higher price levels. Easy money conditions continue to prevail. A revival of demand for commercial funds on a large scale is not expected before fall at the earliest and even then it would be several months longer before such a turn in affairs would adversely affect the security markets to any appreciable extent. The continued arrival of gold from other parts of the world will furnish more and more capital for investment. There is a bare possibility that the rediscount rate will again be cut which would aid in supporting investment security prices at present or higher levels.

Since the high-grade bond issues and even some of the high grade preferreds are not likely to go higher in price on the current swing, however, the purchaser would be placed in the position of holding a security that has no profit possibilities but plenty of opportunity for a market decline. For this reason, extreme care should be used in buying into these groups. Greater consideration should be given to the middle-grade issues and the common stock investments. It is becoming increasingly evident of late that good issues are being chosen from among these latter groups as a means of investment of funds which would ordinarily be placed in high-grade bond issues. The point has been reached where the investing public and institutions should be fearful of bidding for high-grade securities which have evidently reached their peak.

INTERNATIONAL NICKEL CO.

(*Continued from page 466*)

tibility of copper. International has steadily developed the demand for monel metal and in July, 1922, a new, monel metal rolling mill was completed at Huntington, W. V., at a cost of $3,690,000.

International Nickel's problem, then, has been to develop a peace demand for nickel to take the place of the ordnance demand which formerly constituted the major part of the company's business. That such a transition take place is imperative, for with the world-wide and increasing opposition to big armaments, the demand for nickel for ordnance purposes

DEDUCTIONS	1921	1911	Changes	
Taxes	$491,380	$......	Inc.	$491,380
Depreciation	1,577,313	454,320	Inc.	1,122,993
Depletion	569,837	151,604	Inc.	418,233
Bond sinking fund	....	192,000	Dec.	192,000
Interest on bonds	....	455,350	Dec.	455,350
Foreign companies not included	11,000	....	Inc.	11,000
Total	$2,649,530	$1,253,274	Inc.	$1,396,256

is likely to decrease rather than the reverse.

Last year's statement showed that the company is making progress, for it was able to show a total income of $1,282,272 as contrasted with $607,353, for 1922, the year of shut-down of the company's plants.

One is naturally interested in learning why the company with a total income of $5,256,938 in 1911 was able to show a balance of $3,240,852 for the common stock equivalent to more than 27% on the then amount of common outstanding ($100 par), while ten years later with a total income of $5,166,581 the company showed only $1,494,944 on the common equal to 3.57% on its $25 par common. The fact that the total par value of common had been increased from $11,582,626 to $41,834,600, although the company had a funded debt of approximately $9,000,000 in 1911 and none in 1921, explains in part the variation in percentages earned on the common, but does not tell the whole story. The chief reason is found in the item of "deductions" and we compare herewith that item for the two years:

It will be perceived that the increase in taxes for 1921 over 1911 was more than offset by the decrease in interest on bonds and bond sinking fund and that the comparatively poor showing for 1921 was due to increased depreciation and depletion charges. As such charges are more or less academic, especially in the case of a mining company as long lived as International, it appears that the 1921 poorer showing was more apparent than actual. But there can be no doubt about the relative poorness of the showing of the two succeeding years.

The Prospect

The situation and outlook for International Nickel were concisely summed up by president Robert C. Stanley in his remarks in the 1923 and 1924 annual reports where he said:

"Facilities for the production of nickel in the United States, Canada and elsewhere, were largely increased during the war period to meet the demands for armament manufacturers. After the war, as a consequence of cessation of armament manufacture, sales of nickel rapidly decreased. The combination of an excessive productive capacity and a restricted market resulted in world-wide competition with the result that the price of nickel is now (June 4, 1923) the lowest in the history of the industry. This low price, however, should eventually prove advantageous as it will lead to extending the use of nickel as an alloy constituent and in finished forms such as sheets, seamless tubes, rods and wire."

And again as of June 3, 1924:

"The market price of nickel is extremely low, due to the fact that potential supply is still far in excess of present world demand and this status must continue in the industry until new and increased uses for nickel are found."

It would appear, then, that there are scarcely any prospects for a resumption of common dividends in the near future and that the purchaser of that stock must regard his investment as very much in the long-pull class. On the other hand, the company still occupies a dominating position in the industry, its management is active and able and is making considerable progress in rehabilitating the company's earning power. **For a purchaser with the requisite patience the common is not without attractiveness at present levels.**

IS COMPLETE ELECTRIFICATION OF THE UNITED STATES POSSIBLE?

(Continued from page 459)

tal amount of electrical energy developed in this country 35% is already developed by water power, the remaining 65% being developed by steam or internal combustion engines. The electric light and power industry in 1923 used approximately 40,000,000 short tons of coal, 14,700,000 barrels of fuel oil and 31,775,000,000 cubic feet of gas, both natural and manufactured. The electric light and power industry is utilizing all of these fuels with the greatest possible efficiency known to modern engineering practice. Whereas a few years ago, from eight to ten pounds of coal was required to generate one kilowatt hour, modern, efficient electric light and power plants now use only two pounds of coal per kilowatt hour generated, and in many instances the most efficient, up-to-date steam power electric plants are using one and a half pounds, or even less, per kilowatt hour.

Approximately 60,000,000 people in the United States are now living in electrified homes and working in electrified factories, offices and stores. At the end of 1922 there were 9,676,330 residential customers on the lines of the electric light and power companies. Today that number has increased to more than 10,700,000. In addition, there are 2,205,000 commer-

cial customers, an increase of 124,000 in 1923, and there are 475,000 power customers, an increase of 25,000 customers, now utilizing electric light and power company service in place of the rapidly becoming obsolete steam power.

With this constant increase, both in the number of customers and in the total amount of electrical energy consumed, the question of financing new plants, additions to existing plants and the extension of transmission and distribution systems is the dominant one in the electric and power world. Tremendous amounts of money required annually for this program of extension can be obtained from one source only—the savings or surplus earnings of the people of the country. It cannot be obtained from the revenues collected by the companies for service. This is a condition peculiar to the public utility industry, which is a regulated industry.

In the average business, earnings can be so adjusted over a period of years that the firm or individual conducting the business can build extensions or betterments out of earnings. A merchant desiring to enlarge his store or increase his stock of goods puts back into the business surplus earnings that are obtained through increased prices or a wider spread of profit between cost price and selling price. In the regulated public utility business, the rates are fixed by the regulating authorities, so that the company's revenues will yield the cost of operating and maintaining the property in first-class operating condition plus a fair rate of return on the value of the property devoted to the public use. It is interesting to note that the average yield on electric public utility bonds decreased from 8.25 per cent, in August, 1920, to 6.20 per cent in November, 1923. This is partly because the electric light and power companies, through the sale of common and preferred stocks, have provided a greater margin of security. Another factor having an important bearing upon this matter of lower cost for money is the increase in customer ownership of securities, giving a wider distribution of the securities and, therefore, greater stability. Also, in the matter of public relations, the electric light and power industry has progressed rapidly and favorably in the last few years.

Public relations have been bettered by the companies endeavoring to give a higher grade of service, this in turn being made possible largely through interconnection and the building of more efficient and more dependable plants and distribution systems as a result of engineering and mechanical developments. But perhaps one of the greatest reasons for better public relations existing is the fact that the electric light and power industry in the last few years has taken the public into its confidence, has informed the public fully and frankly regarding its problems and its plans. Through the medium of advertising, and particularly of newspaper advertising, the public has been informed to such an extent that, in a vast majority of cases, it has absolute confidence in the companies serving it and in the men and women who are operating those companies.

One activity being undertaken by the

operation with others may be detailed as an example of how the industry is endeavoring to make its service of as great value to the general public as is possible.

It long has been apparent that electrification of the farm must be brought about; that the rural resident is entitled to the same electrical service that has assisted in bettering living conditions and social conditions in cities and progressive communities.

Several years ago the electrical industry, looking toward the farm field, began studying farming problems and the relation of electricity to agriculture. In the last year the National Electric Light Association has actively interested itself in this problem and, seeking the cooperation of the American Farm Bureau Federation, the Farm Lighting Manufacturing Association, the United States Department of Agriculture and the United States Departments of Commerce and Interior, have undertaken to work out with them all problems touching upon the use of electricity on the farm. A national cooperative committee, composed of representatives of the organizations and departments mentioned above, has been formed and offices of the committee were opened in Chicago. Working out of the Chicago office, the director of the cooperative committee is organizing similar committees in the various States of the country, and these committees, in turn, are cooperating with agricultural colleges and local electric light and power companies to undertake actual research work on farms.

The first concrete example of the work being done by the cooperative committee is the construction of a test line just outside of he city of Red Wing, Minnesota. This line is five miles in length and reaches eighteen farms. On these farms every possible application of electricity will be studied in an effort to build up the uses of electricity on the farm to an extent that will make it profitable and desirable for all farmers to electrify their homes and buildings. By increasing the production and decreasing the amount of manual labor actually done on the farm and decreasing the number of hours' work, it is the hope of the members of the committee so to improve conditions for the farmer, his family and the hired help that the problem of farm labor will be largely solved. The matter of standardization of appliances and equipment also is being studied by this committee, so that when the time arrives for general farm electrification appliances and machinery will be so standardized that costs will be lower as a result of mass production and the installation of electrical service will be as simple and as easy as possible.

This work is being carried on by the private companies through the association and in cooperation with the other organizations. It has become apparent to the committee and those working with it that rural extension and farm electrification depend upon the initiative of private companies and that it cannot be expected from municipality or governmentally-owned electrical utilities. This opinion was voiced by O. E. Bradfute, President of the American Farm Bureau Federation, in an address before the forty-sixth convention of the National Electric Light Association, when he said:

"I believe that a great majority of the farmers who own and live on their own farms believe in private ownership of public utilities under reasonable and fair regulation rather than municipal, State or Federal ownership."

Thus, with more than two million Americans directly owning the securities and with millions of bank depositors and insurance policyholders as indirect stockholders in these so-called privately-owned electric light and power companies under public regulation, the United States continues to lead all other nations in electrical development.

THE RIVER OF BUSINESS WILL BE FLOWING IN NORMAL VOLUME BEFORE LONG!

(Continued from page 439)

ment, though the index of factory employment issued by the Federal Reserve Board shows that employment is down to 97, being a decline of two points between March 15 and April 1, which is the greatest decline in such a period since July, 1922. The reduction of payrolls was greater, indicating some curtailment of wages, especially in textile and leather. Up to April the industries manufacturing building materials did not suffer reduced payrolls, but while statistics are not now available on this point reports indicate that they are now affected to some extent.

Agriculture has been the burden-bearer in commercial relations for several years, but there are signs that it is recovering, though partly by means of what would not be called a blessing in some circumstances, viz., crop reduction. However, in view of the condition of the world's wheat markets, the decline in the wheat acreage must meet with general approval. The winter wheat crop, as estimated by the Department of Agriculture, will be the smallest since 1917 and 19,000,000 bushels less than last year. While the prices of commodities in general have been sliding downward, farm prices of agricultural products are moving upward and have reached the highest point since 1922. Dairy products and marketings are increasing, those for April being the heaviest on record. The approach of agriculture to the price rewards of other commodities is a very reassuring and even promising aspect of the general situation. When agriculture rises to an exchange parity with manufactures it may be expected that a marked impetus to business will follow. No doubt much of the contraction that exists can be attributed to the limited buying power of the agricultural population owing to an unbalanced exchange ratio.

The cost of living index of the Industrial Conference Board shows little change in recent months but was higher in March, 1924, than a year ago. Despite this increase, savings deposits have increased appreciably.

Turning to **international phases of the business situation**, we find that our exports are gaining satisfactorily and that the world is undeniably recovering from the demoralizing effects of the war. The report of the Dawes Commission points to a way out of the reparations impasse. I believe it presents a workable scheme, and that it will be applied. *If it works, Germany will soon regain her old place in the world economy, which cannot but be generally helpful.* This country is not so directly dependent upon Europe that we can expect any great spurt in our own industrial and commercial activities as a direct result of some increase of buying power in Europe, but the moral effect of a settlement of Europe's greatest economic and political problem will be far-reaching.

WHO'S BEHIND THE VAN SWERINGENS?

(*Continued from page* 435)

hectic times and it is by no means a certainty that Gates got the L. & N. without Morgan permission.

The present Van Sweringen system, including the old Nickel Plate, Clover Leaf, Lake Erie & Western, and Chesapeake & Ohio and the Erie represents a capitalization, including bonded debt, common and preferred stocks at par, of $943,000,000 in round figures. With the Pere Marquette, Virginian and Pittsburgh & West Virginia added, the total par value of stocks and funded debt would total $1,209,000,000. Obviously such a consolidation could be only the work of the biggest kind of big finance. The assembling of such a railroad empire is totally without the capacity of the Van Sweringens operating alone or with local interests. The statement that the First Security Corp. will act as Van Sweringen bankers makes the entire situation as clear as day.

The First Security Corp. is a George F. Baker corporation and reflects the traditional Baker dislike of publicity of any sort. It is capitalized at $10,000,000, par $100. No statements are issued as to assets, liabilities or earnings, but we are informed that the company has a surplus of $35,000,000. The 100,000 shares of the First Security Corp. are not traded in separately. Each share of the First National Bank carries an announcement, stamped on its back, that the owner is also the owner of a share of the First Security Corp.

Within a week after the fact that the Van Sweringens had obtained control of the Erie the stock of the First National Bank had advanced from approximately 1500 to 1900 a share. The high sale price at this writing is 1925 and at the moment 1700 is bid for the stock with none offered. It requires no extraordinary intelligence to read between the lines of the foregoing and to put two and two together. So far this year the First National stock has paid $60 in dividends, $45 on account of the First National Bank and $15 on account of the First Security Corp.

companies give an adequate idea of those with whom the Van Sweringens are working and the list follows:

First National Bank

George F. Baker, chairman
Francis L. Hine
George F. Baker, Jr.
John R. Morron
Jackson E. Reynolds
Elbert H. Gary
Lewis Cass Ledyard
Francis D. Bartow
Myron C. Taylor
Payne Whitney
Everett B. Sweezy
Walter S. Gifford

First Security Corporation

George F. Baker, Jr., chairman
Francis L. Hine
J. P. Morgan
Arthur C. James
Lewis Cass Ledyard
Thomas W. Lamont
William Fahnestock
John R. Morron
Jackson E. Reynolds
Louis W. Hill
Elbert H. Gary
Francis D. Bartow
Jackson E. Reynolds

This, then, is the Van Sweringen lineup. It will be noted that the name of Baker heads both lists. But the Bakers are Morgan lieutenants who always act in conjunction with the famous "House at the Corner" of Wall and Broad Streets.

The shade of the late E. H. Harriman must have sighed many times over the events of the last few years. Harriman was prevented from fulfilling his great dream of a transcontinental railroad system by repressive legislation. He died a broken man believing that his cherished ambition was never to be fulfilled. Now it is possible to put through railroad combinations on a large scale not only with the permission but with the co-operation of Federal authorities. Thus do times and customs change.

The present Van Sweringen system totals upwards of 6,700 miles of operated trackage and with the three roads mentioned as likely to be included will have a total trackage of approximately 9,500 miles and a bonded and stock capitalization upwards of a billion dollars. No inconsiderable railroad empire that, as the following trackage figures of five of the largest railroads in the country attest:

	Trackage Owned and Operated
New York Central	17,195 miles
Atchison	12,167 miles
Pennsylvania	10,533 miles
***Van Sweringen System**	**9,546 miles**
Union Pacific	9,449 miles
Baltimore & Ohio	5,212 miles

* Including Pere Marquette, Virginian Railway and Pittsburgh & West Virginia.

Total fixed charges on the Van Sweringen System as outlined above, aggregated $36,456,000 last year. Total earnings of the several constituent companies on their common stock last year was equivalent to $8.59 per share on the combined common capitalization.

Twenty years ago two brothers, Orvis P. and Mantis J. Van Sweringen, engaged in the real estate business in Cleveland, conceived the idea of developing a large outlying tract of land. Although both were very young men, being still in their twenties, they possessed not only vision but energy to make their vision a reality. They started by selling on easy terms the land they had acquired at $25 a front foot. Purchasers were permitted to make a small cash payment and hold the land until it could be sold at $30 a front foot. The great obstacle to the development of Shaker Heights, as the tract was known, was the lack of proper transit facilities. To overcome this objection the Van Sweringens constructed a fast electric road which ran from the heart of the city to Shaker Heights in fifteen minutes. Shaker Heights became the rage. Cleveland's wealthiest citizens built costly dwellings there and the Van Sweringens made a fortune.

In negotiation with the Nickel Plate for the privilege to crossing its right of way the Van Sweringens discovered that Nickel Plate was an orphan railroad whose foster parent, the New York Central, was willing to sell the adopted child to the highest bidder. The Central had never wanted the Nickel Plate and had bought it years ago only in order to forestall what might prove to be an embarassing competitor. It was easy enough for the Van Sweringens to buy the Nickel Plate but another matter to make it pay. By intensive methods of development and energetic campaigning for traffic the Van Sweringens greatly increased the earning power of their first railroad acquisition and thus attracted the attention of the railroad world. In conjunction with the New York Central and Big Four, the Nickel Plate erected a $60,000,000 Union Station at Cleveland.

The Nickel Plate extends in a great bow 523 miles long from Chicago on the west to Buffalo on the east, passing through Fort Wayne and Cleveland. By acquiring the bankrupt Clover Leaf and the Lake Erie & Western, the Van Sweringens ran their railroad tentacles to St. Louis, Peoria and Indianapolis, tapping the heart of the corn and wheat belt, and to Detroit on the north.

Adding the 2,500 odd miles of the great coal carrier, the Chesapeake & Ohio, to its granger roads, brought the Van Sweringen system from the Great Lakes down to the sea at Newport News. The Erie furnishes a second outlet to the sea at New York.

The present Van Sweringen system, as constituted to date, includes 6,704 miles of owned and operated trackage. Acquisition of the Pere Marquette whose lines, with the exception of a tentacle to Chicago and another to Buffalo north of Lake Erie in Canadian territory, are included in the Michigan peninsula, will add 2,213 miles to the Van Sweringen system. The Virginian Railway extending 540 miles from the mountains of West Virginia to Norfolk, Va., will bring another great coaler to the Van Sweringen group and provide an additional outlet to the sea. Pittsburgh & West Virginia, which, by the way does not touch West Virginia at any point, is only an 89 mile link run-

ning across the Ohio border from Pittsburgh. It is not clear at the moment how this road would serve the Van Sweringens. Perhaps their intention is to later acquire the Wheeling & Lake Erie and join that up with the P. & W. V.

The Van Sweringen system thus projected totals 9,546.08 miles of owned and operated trackage. It taps eleven rich states and should be able to compete on even terms with any of the great eastern systems such as the Central, Baltimore & Ohio or Pennsylvania. The building up of such a system in a comparatively short time by two young men who, until a few years ago, had no railroad experience is nothing short of an Odyssey of modern business. To be sure the Van Sweringens have the best kind of backing, but to be able to attract and hold such backing indicates the possession of one of the greatest as well as the rarest of attributes.

The Van Sweringen brothers are somewhat of a mystery. They never make speeches or give out statements and their apparent abhorrence of publicity of any sort is truly Bakeresque. Neither have married nor, if report may be credited, are there any indications or likelihood that either has any thoughts along matrimonial lines. Perhaps they figure that the hazards of railroad empire building furnish sufficient excitement for the average human being.

The Van Sweringens avoid newspapermen, society and public gatherings. They live with two unmarried sisters—simply and without ostentation.

Will the Van Sweringens be satisfied with the achievements to date? Or have they in mind the assembling of a great continental system along the lines of the dream of the late E. H. Harriman and George Gould? To attempt to answer that question would be merely to speculate. There is nothing to indicate what they and their backers have as an ultimate objective. All acquisitions and extensions must meet the approval of the Interstate Commerce Commission which is firmly committed to the doctrine of competition. So that a monopoly, or even a merger of directly competing railroads, is not in the picture. The Harriman dream of a single, dominating railroad empire will never be anything more than a dream. But along approved lines there are boundless possibilities. The Van Sweringens are young men who have travelled fast and far in a comparatively short time. Ambitions such as theirs, coupled with the resources of their sponsors, point to further great and important achievements.

The story of the Van Sweringens is of importance to the investor and trader for it gives a cross section of the vast events now ripening to maturity in the railroad world. A new and great railroad era is at hand. Rumors of mergers and combinations surge daily through the financial district. Many are mere idle reports while others contain much which is true. With Congress adjourned and the possibility for radical and restrictive legislation out of the picture, for the time being at least, matters of far reaching importance to the railroads and holders of their securities are likely to be announced in the near future.

ONE TOWN THAT WOULDN'T BE BUFFALOED!

(*Continued from page* 442)

November, it became known that the school board was planning to abandon the high school building then in use and remove one of the grade buildings, a large, well built, attractive-looking stone building that could not be duplicated for less than $75,000, and erect the new junior-senior high school on that site.

Letters to the Paper

For the public benefit the daily paper opened its columns to all who wished to present their views, and a number availed themselves of the opportunity. A little later space was given to the school board for whatever they had to say, under the heading which they gave, "Let's Do It Right While We Are At It." What they said was about the same all the time, a plea for more room and better equipment and they insisted right along that it wouldn't cost any more, to which one of the bond opponents replied that such an argument was too absurd to appeal to any mind.

One of the bond advocates said in the daily paper: "I appeal to the parents of the SEVENTEEN HUNDRED school children of the city to think for yourselves and not let the propaganda against an educational program be conducted by bachelors, old maids, widows without children, grandparents whose children have been educated, and those hide-bound individuals who are afraid of the legitimate taxation for educational purposes." He seemed to overlook the fact that the people he named were paying taxes for the education of his and other people's children and were entitled to have something to say about how their money was spent. And it happened that many who had children in school opposed the bonds.

And thus the discussion was carried on through the daily paper and in conversation when people met until November 18th, when the following call for a public meeting was made:

CALL FOR PUBLIC MEETING

Believing the present condition of the city's schools and finances do not justify the expenditure of three hundred thousand dollars for new school buildings and the destruction of two of our present buildings at this time, the undersigned citizens hereby call a public meeting of all those opposed to the voting of such school bonds, such meeting to be held at city hall on Monday evening, November 21, at 8 o'clock, for the purpose of discussing plans for presenting to the voters all of the facts connected with city and school affairs which we believe needful, to the end that the voters may be well informed before the date of the special election.

This call was signed by hundreds whose names were printed in the paper as they were handed in each day, filling in all about eight columns, one name to a line.

Tuesday evening's paper (the meeting was postponed until Tuesday evening) contained a conspicuous notice of the "MASS MEETING TONIGHT" in large black type.

The meeting was held in a large room, but many had to be turned away. The bond issue was discussed from different angles and plans made to fight it. A committee was appointed to select ten workers in each ward to organize the wards against the bonds and see that the people were properly registered. After the registration books closed, the paper states that "REGISTRATION BEATS ALL PREVIOUS RECORDS. RUSH TO BECOME ELIGIBLE TO VOTE ON SCHOOL BOND ISSUE GREATER THAN ANY PRESIDENTIAL ELECTION."

The Fight Continues

The fight continued until November 30th. When people opened their papers that evening they saw in big black letters at the top of the front page, "BOND ELECTION POSTPONED." The board of education announced that it had decided to defer the call for a bond election on December 6th, but stated that "The community must recognize the fact that the housing problem for our schools is not solved by this postponement and that at the earliest feasible date the board of education will submit a building program to the voters of the school district for their approval."

Just before this announcement, it was arranged for three or four of the bond opponents to meet with some of the bond advocates and see if they could not obtain the withdrawal of the call for a special election.

And so the matter was settled for the time being at least and the bitter feeling gradually died down.

But at the city election the next spring one of the men who had strongly opposed the bonds was elected a new member of the school board.

It rested then very quietly until the following spring, when the school board again came out with a statement similar to the one before, but omitting some of the objectionable features of their previous plan, stating that the ward building would be left almost intact as a part of the high school building.

This didn't seem quite so bad on the face of it, but upon investigation it was found, and stated in an article written by someone for the paper, that it was the intention of the school board to build a solid building around the ward building on three sides to within a few feet of the sidewalk (the ward building occupied the center of a block of ground) and eventually tear down the older building and erect an auditorium and gymnasium in its place. This would have made an immense structure, covering almost a block of ground and could not have been built for less than $500,000 and the limit of the bonded indebtedness allowed by law for school buildings was $267,000. And they said taxes would remain about the same.

It began to look at this juncture as though an inquiry ought to be made as to the sanity of the school board.

There was a big Methodist Conference

on hand and nothing further was done until about a week before the election. The board had called for a vote on the bonds. Then the leaders of the opposition, ten or twelve, got together and talked over plans for carrying on the fight. It had become entirely too personal before, thus taking people's minds off of the real issue and hurting the cause to some extent, so it was determined to keep the personal element out of the fight this time and rivet public attention on the school question proper.

A number of the leading business men of the town, including the three bankers, had expressed themselves as being against the bonds, and several of them were asked to state their views in the paper, which they did. From the talk that was heard, the bond advocates had about lost hope and nothing was said in the paper in favor of the bonds except once by the school board and once by the superintendent. Everything else was "Against Bonds."

The fact that one of the members of the school board now was strongly and openly against the bonds was a great help, not only because of his influence, but because through him the people learned the real intentions of the superintendent and other members.

A Comparatively Tame Affair

The fight this time was a very quiet affair compared with what it had been before, but none the less effective. The anxiously-awaited election returns showed that the vote against the bonds was three to one and that the two old members of the board who were for the bonds had been badly defeated and the one against the bonds re-elected by a big vote. The paper stated that more votes were cast than at any previous city election. This proved that school bonds could be beaten when there was a good reason for it and the proper effort made.

But this was not all of the victory. It was followed immediately by the resignation of the superintendent, then the other three members of the board who had favored the bonds. At the board meetings no attention had been paid to the objections of the one member against the building program, though he was a middle-aged man of good sound judgment and well informed concerning the subject. It may be imagined that they thought him old fogy, behind the times and all that, and thought they would just show him a thing or two when it came to an election. So the election was a personal victory for him, one against six, as well as a complete victory against the bonds.

The people of the little city may well be thankful for what they were saved. The building as an investment of money would have been a monument of folly and as a school building an atrocity. The plan violated utterly every principle of modern school construction and as a matter of fact, the state board of health in this enlightened day and age will not permit the erection of any such monstrosity as was contemplated, whether labelled school building or what not. It is safe to say that even the bond advocates wouldn't have wanted it if they had gotten it. And there was no limit to what might have

been spent for the building. It should be said in behalf of the five members of the school board, two of whom were women, that they were people of good standing in the community, honest and upright in all their dealings, and their motives could not be questioned, but they seemed to be completely dominated and controlled by the superintendent. The only explanation that could be given for their stand on the school question was that the superintendent had them hypnotized. The fact that they proposed to use a sinking fund of $9,000 in their hands, as they publicly stated in the daily paper over their signatures, showed that they were acting under some strange influence. None of them would have thought of doing such a thing of their own accord.

As to the superintendent, he seemed to have a mania for building fine, expensive school buildings and it was reported that he had lost two or three other positions on that account. He may have been honest in his intentions, but it didn't look as though he had the interests of the city at heart in making his plans.

Many Similar Schemes

No doubt many schemes similar to this have been put over because the voters and taxpayers were not on the job. If every town, city, county and state had a vigilance committee to watch what is going on and give those interested reliable information, maybe there would not be so much voting for things people don't want after they get them and considerable money might be saved the taxpayers. *EXTRAVAGANT EXPENDITURE OF THE PEOPLE'S MONEY SHOULD BE STOPPED.*

WILL THE GHOST OF BUSINESS RISE TO PLAGUE LONG-TERM BOND HOLDERS?

(*Continued from page* 446)

vaults of banks, while it is perhaps unfortunate but true that not a few institutions, after long fighting shy of rather doubtful foreign issues, have at length "taken the hook," and have bought very heavily of some of the foreign government loans that looked reasonable but unfortunately are not to be relied upon as a sound basis for protecting the savings of the community.

An Unsound Policy

There is a good deal of reason for thinking that the policy which the banks have been following this spring in regard to their bond purchases has not been well matured. A good many of them have been sticking to the old notion that the bonds are divided into two main classes or at most three: (1) rails, (2) industrials and (3) utilities and equipments. They have been disposed to show their "caution" by not passing over the dividing line of prudence between rails and industrials, or occasionally to show their independence by disregarding any such imaginary dividing line. *The truth of the matter is that the place where banks almost universally "fall down" in bond buying is not in connection with selection of an unsound bond, but is in connection with choice of maturities. There is the same reason for sticking to short maturities in bond buying for banks, as there is in discounting commercial paper.*

Just as a bank which allows itself to loan on long-term paper runs the risk of having the business change in condition while the customer is still on its hands, due to the changing conditions of trade and demand, so the bank which buys a ninety-nine year bond is practically speculating heavily on the future of the money market. The redemption date of the principal is so far distant that it may as well be disregarded. The bank is merely "taking a flyer" in money.

It ought to buy securities of sufficiently short term so that they will at least be fairly independent of early fluctuations in open market rates. Suppose it buys a three-year equipment note bearing 5 per cent at 103. That means that it is definitely bargaining for an income of 4 per cent a year approximately, for three years, with payment in full of the principal at the end of that time. If the bank is reasonably prudent and moderate in its purchases it can count on carrying the note to maturity or at all events be very sure of borrowing on it at a reasonable figure, and for a considerable percentage of its face. If it has to sell, the loss will not be great. Contrast this case, however, with that of the bank that purchases the long-term bond and it will be seen that, as illustrated by the experience of the past few months, a fluctuation of 6 to 10 per cent is not unusual within a relatively short period so that the bank, had it had to sell out within that time, would have taken a severe reduction in its holdings of investment funds, insofar as they were locked up in the bonds in question.

Losses to Be Expected

On the basis of past experience the banks may reasonably expect fairly severe losses on their holdings of long-term bonds. This is merely the outgrowth of observation carried on by experts over long periods of years. It needs no business "ghost, come from the grave," to tell them this. Those who are now overburdened with long-term securities, as it is to be feared that a great many are, owing to the laudable desire to keep funds at work and earning an income, will do well to look to the question of disposing of them as soon as they can, before the turning point arrives, as it will whenever business recovery shows its head.

Indeed, the reaction of values may come without regard to domestic recovery. It will, however, certainly make its appearance along with business recovery if not sooner. On the other hand, many bonds are now high. The prudent institution will do well to take its profits, get out of long-term securities and into short term so far as it can and avoid exposing itself to the hazards of the securities market any further than may be unavoidable.

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